

COPY

**State of Indiana
Indiana Utility Regulatory Commission**

PETITION OF INDIANA GAS COMPANY, INC. d/b/a)
VECTREN ENERGY DELIVERY OF INDIANA, INC.)
("VECTREN NORTH") FOR (1) AUTHORITY TO INCREASE)
ITS RATES AND CHARGES FOR GAS UTILITY SERVICE;)
(2) APPROVAL OF NEW SCHEDULES OF RATES AND)
CHARGES APPLICABLE THERETO; (3) AUTHORITY, TO)
THE EXTENT NECESSARY AS AN ALTERNATIVE)
REGULATORY PLAN, TO TRACK ITS UNACCOUNTED)
FOR GAS COSTS AND THE GAS COST COMPONENT OF)
ITS BAD DEBT EXPENSE IN ITS GAS COST ADJUSTMENT)
FILINGS; (4) APPROVAL OF A DISTRIBUTION)
REPLACEMENT ADJUSTMENT TO RECOVER THE COSTS)
OF A PROGRAM FOR THE ACCELERATED)
REPLACEMENT OF CAST IRON MAINS AND BARE STEEL)
MAINS AND SERVICE LINES; (5) APPROVAL OF)
REVISIONS TO THE SALES RECONCILIATION)
COMPONENT OF THE ENERGY EFFICIENCY RIDER)
APPROVED IN CAUSE NOS. 42943 AND 43046 TO)
PROVIDE FOR RECOVERY OF 100% OF THE)
DIFFERENCE BETWEEN ACTUAL AND APPROVED)
MARGINS; (6) APPROVAL OF VARIOUS CHANGES TO ITS)
TARIFF FOR GAS SERVICE, INCLUDING INCREASES IN)
CERTAIN NON-RECURRING CHARGES; AND (7))
CONSIDERATION AND APPROVAL IN PHASE II OF THE)
PROCEEDING OF AN ALTERNATIVE REGULATORY PLAN)
FOR A REVENUE STABILIZATION PLAN)

FILED

JUN 01 2007

INDIANA UTILITY
REGULATORY COMMISSION

CAUSE NO. 43298



**Prepared Testimony and Exhibits
of
Indiana Gas Company, Inc.
D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.
(Vectren North)**

Book 3 of 3

Direct Testimony and Exhibits for KA Heid, SE Albertson

Supplemental Direct Testimony and Exhibits for MS Hardwick

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**INDIANA GAS COMPANY, INC.
d/b/a/ VECTREN ENERGY DELIVERY OF INDIANA, INC.
(VECTREN NORTH)**

IURC CAUSE NO. 43298

**DIRECT TESTIMONY
OF
KERRY A. HEID
CONSULTANT**

ON

**COST OF SERVICE STUDY, REVENUE ALLOCATION,
AND RATE DESIGN**

SPONSORING PETITIONER'S EXHIBITS KAH-1 THROUGH KAH-7

I. INTRODUCTION AND OVERVIEW

Q. Please state your name and business address.

A. My name is Kerry A. Heid. My address is 3212 Brookfield Drive, Newburgh, IN 47630.

Q. What is your occupation?

A. I am an independent rate consultant. I have been engaged by Petitioner, Indiana Gas Company, Inc. d/b/a/ Vectren Energy Delivery of Indiana, Inc. ("Vectren North"), to testify on its behalf in this proceeding.

Q. What is your educational background?

A. In 1973 I graduated from Purdue University with a Bachelor of Science degree in Civil Engineering. In 1985 I graduated from Indiana University with a Master of Business Administration degree, majoring in Finance.

Q. Please describe your business experience.

A. In May 1989 I was employed by Indiana Gas Company, Inc. as Manager of Rates. In October 1992 I was promoted to Director of Rates for Indiana Gas Company. In April 2000 I became Director of Rates and Regulation with Vectren Energy, formed by the merger of Indiana Energy, Inc. (parent of Indiana Gas Company) and SIGCORP, Inc. (parent of Southern Indiana Gas & Electric Company). Prior to my employment with Indiana Gas Company, I was employed for seven years by the Indiana Utility Regulatory Commission and its predecessor, the Public Service Commission of Indiana, where I held positions in the Engineering Division and as Special Projects Analyst/Assistant to the Director of Utilities. I was also previously employed in the Management Services Division of Black & Veatch Consulting Engineers and in the Finance Department of Florida Power and Light Company. In May 2002 I resigned my position with Vectren Energy to become an independent rate consultant.

Q. Do you hold any professional accreditations?

A. Yes. I have been a registered Professional Engineer in the State of Indiana since 1977.

Q. Have you previously testified before this Commission?

1 A. Yes. I have testified on numerous occasions before this Commission on cost-of-service
2 and other matters. Of particular relevance, I prepared and testified to Vectren North's
3 (Indiana Gas Company's) cost of service studies in its three prior general rate
4 proceedings, Cause Nos. 38918, 39353 and 42598.
5

6 **Q. What is the purpose of your testimony in this proceeding?**

7 A. The purpose of my testimony is to present evidence on:
8 (1) Vectren North's cost of service study;
9 (2) Vectren North's proposed revenue distribution among its rate classes;
10 (3) Vectren North's proposed rate design; and
11 (4) Vectren North's proposed revisions to its non-recurring charges.
12

13 **Q. How is your testimony organized?**

14 A. My testimony is organized into the following sections:
15 I. Introduction and Overview of Presentation
16 II. Cost of Service Study
17 III. Proposed Revenue Distribution Among Rate Classes
18 IV. Proposed Schedule of Rates and Charges
19 V. Proposed Revisions to non-Recurring Charges
20

21 **Q. What exhibits are you sponsoring in this proceeding?**

22 A. I am sponsoring the following exhibits:
23 KAH-1 Prefiled Direct Testimony of Kerry A. Heid
24 KAH-2 Cost of Service Study
25 KAH-3 Operating Income at Present and Proposed Rates
26 KAH-4 Rate Class Subsidy Levels at Present and Proposed Rates
27 KAH-5 Revenue and Margin Proofs at Present and Proposed Rates
28 KAH-6 Bill Impact Tables
29 KAH-7 Non-recurring Charges Analyses
30
31

32 **II. COST OF SERVICE STUDY**
33

34 **Q. Please provide an overview of your testimony as it relates to your cost of service**
35 **study.**

1 A. The purpose of my testimony is to sponsor a fully allocated cost of service study based
2 on Vectren North's embedded cost of providing gas service for the twelve months ended
3 December 31, 2006 (the "test year"). Working with Vectren North's management,
4 accounting and rate staffs, I prepared an embedded cost of service study based on
5 Vectren North's accounting costs per books, adjusted for known and measurable
6 changes to test year operating results. My objective in performing the cost of service
7 study was to determine the rate of return on rate base that Vectren North is earning from
8 each rate class, which provides an indication as to whether its rates reflect the cost of
9 providing service to each rate class.

10
11 **Q. Explain the composition of the cost of service study.**

12 A. The study consists of two parts. First, the investment required to serve each rate class
13 was determined. This was done by allocating total original cost utility rate base among
14 the rate classes based on various assignment and allocation methods. Second, the
15 operating expenses incurred in providing service to each rate class were determined.
16 This was done by allocating the proforma costs of providing gas service, as determined
17 on a going level basis at present and proposed rates, among the rate classes based on
18 various assignment and allocation methods.

19
20 **Q. Where did you obtain the data used to perform the cost of service study?**

21 A. Investment cost data was taken from detailed accounting information, which formed the
22 basis for the utility rate base shown in Petitioners' Exhibit MSH-3, Adjustment A45, Page
23 2 of 3, sponsored by Vectren North witness M. Susan Hardwick. The cost of service
24 data was obtained from accounting information which formed the basis for the Proforma
25 Statement of Operating Income shown in Petitioners' Exhibit No. MSH-2 sponsored by
26 Ms. Hardwick. Data used to derive allocation factors in the allocation of rate base and
27 cost of service came from various sources, including special studies and Vectren North's
28 books and records.

29
30 **Q. Please describe in general the assignment and allocation processes used in the
31 cost of service study.**

32 A. The various costs or investments were assigned directly to the rate classes in those
33 instances where direct assignment was possible. Direct assignments were based on

specific details as recorded in Vectren North's books and records or were based on special studies performed by me or under my direct supervision. Where direct assignment was not possible, the investment or cost was allocated to the rate classes using the most appropriate method considering the type of investment or cost involved. For example, investment and cost items were identified as being commodity, demand, or customer related. Commodity costs are those that vary with the volume of gas delivered to customers and are allocated based on annual volumes. Demand costs are those incurred to deliver gas to customers at certain levels and are, therefore, dependent on customer demands. These costs are allocated based on peak day demands. Customer costs are those that vary with the number of customers served and are allocated based on number of customers. Other costs are directly related to specific plant investments, and these costs were allocated in the same manner as the plant to which they relate.

Q. Please provide an overview of the rate classes that form the basis for your cost of service study.

A. The rate classes to which costs are being allocated are as follows:

Residential Sales Service, Rate Schedule 210: Rate 210 is a firm sales service applicable to Residential Sales customers. Rate 211 is applicable to Unmetered Gas Lighting Service and has traditionally been combined with Rate 210 for cost of service allocation and rate design purposes.

General Sales Service, Rate Schedule 220: Rate 220 is a firm sales service applicable to any customer whose:

1. Annual Usage is less than 500,000 therms, and
2. whose Maximum Daily Usage is less than 15,000 therms.

School Transportation Service, Rate Schedule 225: Rate 225 is a transportation service applicable to any customer that:

1. has an Annual Usage of less than 50,000 therms, and
2. for which payment of bills is the responsibility of an Educational Institution.

Interruptible Sales Service, Rate Schedule 240: Rate 240 is an interruptible sales

service applicable to any non-residential customer that:

1. has an Annual Usage of less than 500,000 therms, and
2. has a Maximum Daily Usage of less than 15,000 therms, and
3. complies with the alternate fuel capability requirements of this rate schedule.

Large General Transportation Service, Rate Schedule 245: Rate 245 is a firm transportation service applicable to any non-residential customer that:

1. has an Annual Usage of greater than or equal to 50,000 therms and less than 500,000 therms, and
2. has a Maximum Daily Usage of less than 15,000 therms.

Large Volume Transportation Service, Rate Schedule 260: Rate 260 is a large volume transportation service applicable to any non-residential customer that:

1. has an Annual Usage of 500,000 therms or greater, or
2. has a Maximum Daily Usage of 15,000 therms or greater, or
3. uses No. 6 fuel oil as an Alternate Fuel.

Q. Please describe Petitioner's Exhibit KAH-2.

A. Petitioner's Exhibit KAH-2, Schedules 1 through 7, present the cost of service study I prepared in this proceeding. Schedule 1 presents a table of the rate class allocation factors used in the cost allocation process. These cost allocation factors are cross-referenced in the cost allocation schedules that will be subsequently discussed in this section. Schedule 2 presents the results of the allocation of Vectren North's original cost utility rate base among its various rate classes. Schedule 3 presents the results of the allocation of depreciation and amortization expenses among the various rate classes. Schedule 4, pages 1 and 2, present the results of the allocation of operation and maintenance expenses ("O&M") among the various rate classes at Proforma A and Proforma B revenue levels, respectively. The designation "Proforma A" represents results at present revenue levels, whereas the designation "Proforma B" represents results at proposed revenue levels. Schedule 5 presents the results of the allocation of miscellaneous revenues among the various rate classes. Schedule 6 reflects the rate class-by-rate class calculation of federal and state income taxes and the state utility

1 receipts tax. Schedule 7 reflects the summarized results of the preceding cost of service
2 allocations.

3
4 **III. PROPOSED REVENUE DISTRIBUTION AMONG RATE CLASSES**

5
6 **Q. Have you used the results of the cost of service study in developing your**
7 **proposed revenue allocations by rate class?**

8 A. Yes. My cost of service study served as the foundation for determining the revenue
9 allocations I am proposing. The study was structured to provide revenue and operating
10 income amounts and associated taxes to compute the rate of return on rate base for
11 each rate class at both present and proposed rates.

12
13 **Q. Please identify the rates of return by rate class under Vectren North's present**
14 **rates.**

15 A. Petitioner's Exhibit KAH-3, Schedule 1, contains the Statement of Operating Income at
16 present rates of return (Proforma A) by rate class. Line 12 of that schedule reflects the
17 current rate of return for each rate class. Line 13 reflects the Earnings Index comparing
18 the current class rates of return to the current overall Company rate of return.

19
20 Line 13 shows that the Rate 210 (residential) Earnings Index is 63%, meaning its current
21 rate of return is only 63% of the overall Company rate of return. This indicates that Rate
22 210 is being provided a subsidy by the remaining rate classes.

23
24 **Q. Please identify the total operating revenues by rate class that would result from**
25 **equal rates of return at the present revenue level.**

26 A. Petitioner's Exhibit KAH-3, Schedule 2, contains the Statement of Operating Income at
27 equal rates of return at the present revenue levels (Proforma A).

28
29 **Q. Please identify the total operating revenues by rate class that would result from**
30 **equal rates of return at the proposed revenue requirement.**

31 A. Petitioner's Exhibit KAH-3, Schedule 3, contains the Statement of Operating Income at
32 equal rates of return at the proposed revenue requirement (Proforma B).

33

1 **Q. Please identify the rates of return by rate class under Vectren North's proposed**
2 **rates.**

3 A. Petitioner's Exhibit KAH-3, Schedule 4, contains the Statement of Operating Income at
4 proposed rates by rate class. The proposed rate class rates of return and the relative
5 Earnings Indices are shown on Lines 12 and 13, respectively.
6

7 **Q. Please describe your general approach to reducing the current subsidies.**

8 A. Consistent with long-established Commission policy and Vectren North's own past
9 practice, Vectren North's objective in its revenue allocation process is to reduce
10 interclass subsidies to the extent practical while mitigating rate shock. Our approach is
11 to propose rates that move toward equal rates of return and thereby reduce subsidies
12 while producing reasonable percentage increases to each rate class. To measure the
13 movement in the subsidy levels, we considered two measures. First, we considered the
14 dollar subsidy, determined as the difference in rate class revenues at equal rates of
15 return compared to results at actual and proposed rates of return. Petitioner's Exhibit
16 KAH-4, Schedule 1, reflects the current and proposed dollar subsidy levels for each rate
17 class at present and proposed rates. Secondly, we considered the relative movement in
18 the Earnings Indices toward equal rates of return. Petitioner's Exhibit KAH-4, Schedule
19 2, summarizes the Earnings Indices at present and proposed rates, and shows the
20 relative movement in the Earnings Indices toward equal rates of return.
21

22 In this case, Vectren North determined that a 50% subsidy reduction was appropriate.
23 However, a 50% subsidy reduction would have resulted in rate decreases to the Rate
24 225 and Rate 245 classes, which Petitioner deemed undesirable. Therefore, Vectren
25 North adjusted the subsidy reductions to Rate 225 and Rate 245 to hold those rates
26 unchanged. The additional dollars were used to reduce the Rate 210 (residential) rates.
27 The dollar subsidy amounts are shown on Petitioner's Exhibit KAH-4, Schedule 1,
28 Column H. It shows subsidy reductions ranging from 25.54% for Rate 225 to 50.00% for
29 Rates 220, 240 and 260. The changes in earnings Indices are shown on Petitioner's
30 Exhibit KAH-4, Schedule 2. This exhibit shows that all rate classes made a relatively
31 consistent move toward eliminating subsidies. Vectren North believes this results in
32 reasonable rate class impacts while still moving closer toward equal rates of return.
33

1 **Q. What effect will the proposed rates have on the annual revenues from gas sales to**
2 **be collected from each rate class?**

3 A. Petitioner's Exhibit KAH-5, Schedule 1, contains a summary of present and proposed
4 revenues from gas sales by rate class.
5

6 **IV. PROPOSED SCHEDULE OF RATES AND CHARGES**
7

8 **Q. Have you developed rates and charges that produce the results described in the**
9 **preceding section?**

10 A. Yes. These proposed rates and charges are reflected in the Tariff for Gas Service
11 sponsored by Vectren North witness Albertson in Petitioner's Exhibit SEA-10.
12 Petitioner's Exhibit KAH-5, Schedule 2, contains the Calculation of Revenues at Present
13 and Proposed Rates. Petitioner's Exhibit KAH-5, Schedule 3, contains the Calculation
14 of Margins (non-gas revenues) at Present and Proposed Rates. Schedules 2 and 3
15 demonstrate that the proposed rates and charges generate the appropriate level of
16 revenues.
17

18 Q. Please explain how you developed Vectren North's proposed rates for this proceeding.

19 A. Based upon the desired revenue distribution to each rate class as previously described in
20 my testimony, the primary objective was to design rates that recover the appropriate
21 amount of revenue from each rate class. However, additional considerations also guided
22 my rate design. Vectren North's current Customer Facilities Charges are significantly
23 below the indicated fixed costs of providing service. Vectren North's fixed costs should
24 be recovered through the fixed monthly Customer Facilities Charges. Similarly, variable
25 costs should be recovered through volumetric charges. To the extent that fixed costs are
26 allowed to be recovered in the rate design as though they were commodity costs, the
27 rate design will result in a misalignment in the pricing results with the costs incurred to
28 serve customers. I concluded that a reasonable rate design would provide for Vectren
29 North to structure its rates to recover a greater portion of its costs through the monthly
30 Customer Facilities Charge, and I have applied this reasoning in developing the
31 proposed rates.
32

1 **Q. Following the determination of the proposed Customer Facilities Charge for each**
2 **rate class, please describe the next step in the rate design process.**

3 A. The next step is to distribute the revenues between the rate blocks. We were guided by
4 our objective to (1) have a reasonable relationship between rate blocks in the subject
5 rate class, (2) mitigate rate shock within the customer class, and (3) have a reasonable
6 relationship between rate blocks in adjacent rate schedules.
7

8 **Q. Mr. Heid, will you please describe the proposed revisions to each rate schedule?**

9 A. Yes. Each rate schedule will be discussed in the following paragraphs.
10

11 **Residential Sales Service - Rate Schedule 210**

12 **Q. Please describe the proposed revisions to the Residential Sales Service, Rate 210.**

13 A. Increases are proposed to the Rate 210 monthly Customer Facilities Charge, and to the
14 Rate 210 Distribution Charges to recover the allocated revenue requirements.
15

16 **Q. What changes are proposed to the Rate 210 Customer Facilities Charge?**

17 A. The Rate 210 Customer Facilities Charge has been increased to \$16.00 from \$11.00.
18 This increase is necessary to increase the proportion of allocated fixed costs recovered
19 by the Customer Facilities Charge. The proposed level represents 50% of the allocated
20 fixed costs of \$32.11 per customer bill.
21

22 **Q. What revisions are being proposed to the Rate 210 Distribution Charges?**

23 A. No revisions are being proposed to the current rate blocking other than to increase the
24 unit rates to recover the proposed increase in operating revenues.
25

26 **Q. Please describe the impact of Vectren North's proposed revenue allocations and**
27 **rates and charges upon Rate 210 customers.**

28 A. Petitioner's Exhibit KAH-6, Schedule 1, contains a table of monthly bill amounts
29 calculated at various levels of usage for both present and proposed rates for Rate 210
30 customers. The dollar and percentage increase in monthly bill amounts is identified for
31 each usage level.

Petitioner's Exhibit KAH-6, Schedule 2, contains the calculation of the impact of the proposed rates on an average Residential customer. This exhibit shows that the average Residential customer will experience an annual increase of 7.02%.

General Sales Service – Rate Schedule 220

Q. What revisions are proposed for the General Sales Service, Rate 220?

A. Increases are proposed to the Rate 220 monthly Customer Facilities Charge, and to the Rate 220 Distribution Charges to recover the allocated revenue requirements.

Q. Please describe the changes that are proposed to the Rate 220 Customer Facilities Charges.

A. The Customer Facilities Charge for Rate 220-Group 1 has been raised to \$16.00 from \$15.00. No changes are proposed to the Rate 220-Group 2 and Rate 220-Group 3 Customer Facilities Charges.

Q. What changes are proposed to the Rate 220 Distribution Charges?

A. No revisions are being proposed to the current rate blocking other than to adjust the unit rates to recover the proposed increase in operating revenues.

Q. Please describe the impact of Vectren North's proposed revenue allocations and rates and charges upon the monthly bills of Rate 220 customers.

A. Petitioner's Exhibit KAH-6, Schedules 3, 4 and 5 contains tables showing monthly bill amounts calculated at various levels of usage for both present and proposed rates for Rate 220-Group 1, Group 2 and Group 3 customers, respectively. The dollar and percentage increase in monthly bill amounts is identified for each usage level.

School Transportation Service – Rate Schedule 225

Q. What revisions are proposed for the School Transportation Service, Rate 225?

A. As previously described, no changes are proposed to either the Rate 225 monthly Customer Facilities Charge or to the Rate 225 Distribution Charges. However, as described by Vectren witness Scott E. Albertson, Vectren North is proposing to recover the cost of company use volumes through the GCA. A GCA component will be assessed to all customers, including transportation customers. Thus, Rate 225 customers will

1 experience a slight increase in effective rates, even though the base rates will remain
2 unchanged. However, this slight increase should be mitigated by a reduction in the
3 transportation retention percentage related to company use of gas.
4

5 **Q. Please describe the impact of Vectren North's proposed revenue allocations and**
6 **rates and charges upon the monthly bills of Rate 225 customers.**

7 A. Petitioner's Exhibit KAH-6, Schedules 6, 7 and 8 contains tables showing monthly bill
8 amounts calculated at various levels of usage for both present and proposed rates for
9 Rate 225-Group 1, Group 2 and Group 3 customers, respectively. The dollar and
10 percentage increase in monthly bill amounts is identified for each usage level.
11

12 **Interruptible Sales Service - Rate Schedule 240**

13 **Q. Please describe the proposed revisions to the Interruptible Sales Service, Rate**
14 **240.**

15 A. Increases are proposed to the Rate 240 Customer Facilities Charge, and to the Rate 240
16 Distribution Charges to recover the allocated revenue requirements.
17

18 **Q. What changes are proposed to the Rate 240 Customer Facilities Charge?**

19 A. The Rate 240 Customer Facilities Charge has been increased to \$175.00 from \$150.00.
20 This increase is necessary to increase the proportion of allocated fixed costs recovered
21 by the Customer Facilities Charge. The proposed level represents 20% of the allocated
22 fixed costs of \$870 per customer bill.
23

24 **Q. What revisions are being proposed to the Rate 240 Distribution Charges?**

25 A. No revisions are being proposed to the current rate blocking other than to increase the
26 unit rates to recover the proposed increase in operating revenues.
27

28 **Q. Please describe the impact of Vectren North's proposed revenue allocations and**
29 **rates and charges upon Rate 240 customers.**

30 A. Petitioner's Exhibit KAH-6, Schedule 9, contains a table of monthly bill amounts
31 calculated at various levels of usage for both present and proposed rates for Rate 240
32 customers. The dollar and percentage increase in monthly bill amounts is identified for
33 each usage level.

Large General Transportation Service - Rate Schedule 245

Q. Please describe the proposed revisions to the Large General Transportation Service, Rate 245.

A. As previously described, no changes are proposed to either the Rate 245 monthly Customer Facilities Charge or to the Rate 245 Distribution Charges. However, as described by Vectren witness Scott E. Albertson, Vectren North is proposing to recover the cost of company use volumes through the GCA. A GCA component will be assessed to all customers, including transportation customers. Thus, Rate 245 customers will experience a slight increase in effective rates, even though the base rates will remain unchanged. However, this slight increase should be mitigated by a reduction in the transportation retention percentage related to company use of gas.

Q. Please describe the impact of Vectren North's proposed revenue allocations and rates and charges upon Rate 245 customers.

A. Petitioner's Exhibit KAH-6, Schedule 10, contains a table of monthly bill amounts calculated at various levels of usage for both present and proposed rates for Rate 245 customers. The dollar and percentage increase in monthly bill amounts is identified for each usage level.

Large Volume Transportation Service - Rate Schedule 260

Q. Please describe the proposed revisions to the Large Volume Transportation Service, Rate 260.

A. Increases are proposed to the Rate 260 Customer Facilities Charge, and to the Rate 260 Distribution Charges to recover the allocated revenue requirements.

Q. What changes are proposed to the Rate 260 Customer Facilities Charge?

A. The Rate 260 Customer Facilities Charge has been increased to \$1,100.00 from \$975.00. This increase is necessary to increase the proportion of allocated fixed costs recovered by the Customer Facilities Charge. The proposed level represents 17% of the allocated fixed costs of \$6,450.

Q. What revisions are being proposed to the Rate 260 Distribution Charges?

1 A. No revisions are being proposed to the current rate blocking other than to increase the
2 unit rates to recover the proposed increase in operating revenues.
3

4 **Q. Please describe the impact of Vectren North's proposed revenue allocations and**
5 **rates and charges upon Rate 260 customers.**

6 A. Petitioner's Exhibit KAH-6, Schedule 11, contains a table of monthly bill amounts
7 calculated at various levels of usage for both present and proposed rates for Rate 260
8 customers. The dollar and percentage increase in monthly bill amounts is identified for
9 each usage level.
10

11 **V. REVISIONS TO NON-RECURRING CHARGES**
12

13 **Q. Please describe the revisions that Vectren North is proposing to its non-recurring**
14 **charges.**

15 A. Vectren North is proposing the following revisions, all of which are reflected on Appendix
16 C of the proposed Tariff for Gas Service, sponsored by witness Albertson in Petitioner's
17 Exhibit SEA-10:

18 1. An increase in the Fraudulent or Unapproved Use of Gas Charge from a
19 minimum charge of forty-four dollars (\$44.00) per occurrence to seventy dollars (\$70.00)
20 per occurrence. This change resulted from an analysis that showed an increase in
21 Vectren North's cost for administration, field calls and repairs. The detailed analysis
22 associated with the cost justification for this charge is reflected in Petitioner's Exhibit
23 KAH-7, Schedule 1.

24 2. An increase in the After-Hours Charge from twenty-two dollars (\$22.00) to sixty-
25 nine dollars (\$69.00) for reconnections or other non-emergency service calls that occur
26 outside of normal business hours at the customer's request. This proposed increase
27 resulted from an analysis that showed an increase in the incremental costs of after-hours
28 service. The detailed analysis associated with the cost justification for this charge is
29 reflected in Petitioner's Exhibit KAH-7, Schedule 2.

30 3. Implementation of a Trip and Labor Charge for investigating gas service problems
31 that are determined to not be as a result of a problem on Vectren North's system. During
32 normal business hours the proposed Trip Charge is \$16.00 plus a Labor Charge of
33 \$12.00 per 15 minutes. Outside of normal business hours the proposed Trip Charge is

1 \$23.00 plus a Labor Charge of \$17.00 per 15 minutes. The detailed analysis associated
2 with the cost justification for this charge is reflected in Petitioner's Exhibit KAH-7,
3 Schedule 3.
4

5 **Q. Does this conclude your prepared direct testimony?**

6 **A. Yes, at the present time.**

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
COST OF SERVICE STUDY
SCHEDULE OF ALLOCATION FACTORS

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2
SCHEDULE 1
PAGE 1 OF 4

<u>NO.</u>	<u>ALLOCATORS</u>	<u>Rate 210</u>	<u>Rate 220</u>	<u>Rate 225</u>	<u>Rate 240</u>	<u>Rate 245</u>	<u>Rate 260</u>	<u>Total</u>
<u>Input Allocators</u>								
1	Annual Throughput	440,419,036 47.5501%	188,292,689 20.3291%	6,722,047 0.7258%	9,099,901 0.9825%	73,014,095 7.8830%	208,672,615 22.5295%	926,220,384 100.0000%
2	Annual Sales	440,419,036 69.0516%	188,292,689 29.5217%	0 0.0000%	9,099,901 1.4267%	0 0.0000%	0 0.0000%	637,811,626 100.0000%
3	Number of Bills	6,077,774 91.0838%	579,631 8.6866%	5,492 0.0823%	1,187 0.0178%	6,604 0.0990%	2,038 0.0305%	6,672,726 100.0000%
4	Design Day Throughput	5,797,214 57.9248%	2,228,168 22.2635%	160,648 1.6052%	24,931 0.2491%	641,653 6.4113%	1,155,554 11.5461%	10,008,168 100.0000%
5	Design Day Sales	5,797,214 72.0123%	2,228,168 27.6780%	0 0.0000%	24,931 0.3097%	0 0.0000%	0 0.0000%	8,050,313 100.0000%
6	P/F A Normal Rev. w/o Misc. Rev.	\$559,900,057 69.3115%	\$217,574,994 26.9342%	\$1,443,940 0.1787%	\$8,936,124 1.1062%	\$8,080,355 1.0003%	\$11,866,515 1.4690%	\$807,801,984 100.0000%
7	Account 381-385 Meters Study	67.0309% 67.0309%	27.6141% 27.6141%	0.2616% 0.2616%	0.5434% 0.5434%	2.4768% 2.4768%	2.0732% 2.0732%	100.0000% 100.0000%
8	Services Study	\$549,115,619 89.2793%	\$62,819,462 10.2137%	\$963,100 0.1566%	\$208,159 0.0338%	\$1,372,449 0.2231%	\$574,548 0.0934%	\$615,053,336 100.0000%
	Annual Throughput Component (20%)	9.51	4.07	0.15	0.20	1.58	4.51	20.00
	Annual Sales Component (80%)	55.24	23.62	0.00	1.14	0.00	0.00	80.00
	Total	64.75	27.68	0.15	1.34	1.58	4.51	100.00
9	Weighted Storage Allocator	64.7513%	27.6832%	0.1452%	1.3379%	1.5766%	4.5059%	100.0000%
10	Uncollectibles Analysis	\$ 7,228,601 93.7395%	\$ 402,904 5.2248%	\$ 2,674 0.0347%	\$ - 0.0000%	\$ 11,193 0.1451%	\$ 66,002 0.8559%	\$7,711,374 100.0000%

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
COST OF SERVICE STUDY
SCHEDULE OF ALLOCATION FACTORS

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2
SCHEDULE 1
PAGE 2 OF 4

<u>NO.</u>	<u>ALLOCATORS</u>	<u>Rate 210</u>	<u>Rate 220</u>	<u>Rate 225</u>	<u>Rate 240</u>	<u>Rate 245</u>	<u>Rate 260</u>	<u>TOTAL</u>
<u>Input Allocators (cont.)</u>								
11	Proforma Gas Costs (Excl. UAFG)	\$397,266,861 69.0838%	\$169,847,026 29.5360%	\$0 0.0000%	\$7,937,075 1.3802%	\$0 0.0000%	\$0 0.0000%	\$575,050,962 100.0000%
13	Miscellaneous Revenues Analysis	\$4,505,854 72.9849%	\$1,472,824 23.8565%	\$9,774 0.1583%	\$31,333 0.5075%	\$61,001 0.9881%	\$92,893 1.5047%	6,173,680 100.0000%
14	Winter Sales	332,684,325 70.0184%	136,169,447 28.6589%	0 0.0000%	6,284,402 1.3226%	0 0.0000%	0 0.0000%	475,138,173 100.0000%
18	Account 385 Meters Study	\$0 0.0000%	\$791,022 26.5121%	\$7,495 0.2512%	\$294,629 9.8749%	\$1,089,139 36.5039%	\$801,340 26.8579%	\$2,983,625 100.0000%
<u>Internally-Generated Allocators</u>								
100	Gross Plant	\$969,041,570 73.7175%	\$213,126,389 16.2131%	\$5,967,379 0.4540%	\$6,070,947 0.4618%	\$42,027,454 3.1971%	\$78,300,283 5.9565%	\$1,314,534,022 100.0000%
102	Original Cost Rate Base	\$572,509,283 72.4230%	\$138,992,117 17.5827%	\$3,465,435 0.4384%	\$4,106,119 0.5194%	\$24,772,809 3.1338%	\$46,661,247 5.9027%	\$790,507,010 100.0000%
103	Mains Plant	\$386,890,601 68.2861%	\$91,690,279 16.1833%	\$4,114,813 0.7263%	\$2,115,097 0.3733%	\$24,301,770 4.2893%	\$57,460,099 10.1417%	\$566,572,660 100.0000%
104	VUHI Plant	\$209,387,947 84.4756%	\$28,581,148 11.5308%	\$577,111 0.2328%	\$389,503 0.1571%	\$2,986,132 1.2047%	\$5,946,232 2.3990%	\$247,868,074 100.0000%

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
COST OF SERVICE STUDY
SCHEDULE OF ALLOCATION FACTORS

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2
SCHEDULE 1
PAGE 3 OF 4

<u>NO.</u>	<u>ALLOCATORS</u>	<u>Rate 210</u>	<u>Rate 220</u>	<u>Rate 225</u>	<u>Rate 240</u>	<u>Rate 245</u>	<u>Rate 260</u>	<u>TOTAL</u>
<u>Input Allocators (cont.)</u>								
105	Subtotal VUHI Plant	\$204,793,646	\$27,954,033	\$564,448	\$380,957	\$2,920,612	\$5,815,762	\$242,429,458
		84.4756%	11.5308%	0.2328%	0.1571%	1.2047%	2.3990%	100.0000%
107	Mains and Services Plant	\$792,124,690	\$143,250,019	\$5,195,511	\$2,489,960	\$27,880,042	\$64,211,413	\$1,035,151,636
		76.5226%	13.8386%	0.5019%	0.2405%	2.6933%	6.2031%	100.0000%
108	Meters, Installations & House Regulators	\$102,364,398	\$42,170,111	\$399,562	\$829,773	\$3,782,361	\$3,166,008	\$152,712,213
		67.0309%	27.6141%	0.2616%	0.5434%	2.4768%	2.0732%	100.0000%
109	Subtotal Distribution Plant	\$428,157,036	\$101,611,699	\$4,557,144	\$2,351,987	\$26,970,349	\$63,830,588	\$627,478,803
		68.2345%	16.1936%	0.7263%	0.3748%	4.2982%	10.1725%	100.0000%
110	Subtotal Gross Plant	\$925,935,667	\$203,645,882	\$5,701,932	\$5,800,893	\$40,157,945	\$74,817,249	\$1,256,059,569
		73.7175%	16.2131%	0.4540%	0.4618%	3.1971%	5.9565%	100.0000%
111	Total Storage Plant	\$23,349,597	\$9,365,074	\$51,102	\$299,053	\$555,063	\$1,586,357	\$35,206,246
		66.3223%	26.6006%	0.1452%	0.8494%	1.5766%	4.5059%	100.0000%
115	O&M Without Gas Costs (P/F A)	\$85,350,469	\$12,086,488	\$272,674	\$163,133	\$1,405,988	\$3,050,635	\$102,329,387
		83.4076%	11.8114%	0.2665%	0.1594%	1.3740%	2.9812%	100.0000%
117	O&M Without Gas Costs (P/F B) [Removed line 152 asset charge]	\$59,619,752	\$8,488,606	\$197,681	\$116,230	\$1,029,624	\$2,271,407	\$71,723,298
		83.1247%	11.8352%	0.2756%	0.1621%	1.4355%	3.1669%	100.0000%
119	Distribution O&M (P/F B)	\$23,069,762	\$4,039,635	\$122,051	\$65,430	\$665,284	\$1,463,712	\$29,425,874
		78.3996%	13.7282%	0.4148%	0.2224%	2.2609%	4.9742%	0.0000%
120	Total Depreciation Expenses	\$37,954,444	\$7,838,133	\$195,058	\$275,474	\$1,599,745	\$2,572,262	\$50,435,116
		75.2540%	15.5410%	0.3867%	0.5462%	3.1719%	5.1001%	100.0000%

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
COST OF SERVICE STUDY
SCHEDULE OF ALLOCATION FACTORS

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2
SCHEDULE 1
PAGE 4 OF 4

<u>NO.</u>	<u>ALLOCATORS</u>	<u>Rate 210</u>	<u>Rate 220</u>	<u>Rate 225</u>	<u>Rate 240</u>	<u>Rate 245</u>	<u>Rate 260</u>	<u>TOTAL</u>
121	P/F A Normal Rev. w/ Misc. Rev.	570,000,458	220,707,600	1,495,411	9,001,943	8,376,622	12,306,887	821,888,922
		69.3525%	26.8537%	0.1819%	1.0953%	1.0192%	1.4974%	100.0000%
124	P/F B Normal Rev. w/ Misc. Rev.	609,313,197	220,962,417	1,499,414	9,171,424	8,420,099	13,663,236	863,029,788
		70.6016%	25.6031%	0.1737%	1.0627%	0.9756%	1.5832%	100.0000%
125	Labor Allocator [Eliminated a few rows]	\$15,586,710	\$2,196,912	\$46,876	\$27,043	\$228,274	\$493,146	\$18,578,960
		83.8944%	11.8247%	0.2523%	0.1456%	1.2287%	2.6543%	100.0000%
126	Asset Charge Study	\$13,195,124	\$1,801,115	\$36,368	\$24,546	\$188,179	\$374,717	\$15,620,049
		84.4756%	11.5308%	0.2328%	0.1571%	1.2047%	2.3990%	100.0000%
127	P/F A Normal Margins w/o Misc. Rev.	\$160,264,946	\$46,715,468	\$1,439,937	\$950,116	\$8,036,877	\$11,742,258	\$229,149,601
		69.9390%	20.3864%	0.6284%	0.4146%	3.5073%	5.1243%	100.0000%
128	P/F A Equalized Margins w/Misc. Rev.	\$190,165,513	\$35,982,282	\$802,560	\$931,066	\$5,322,475	\$10,032,644	\$243,236,540
		78.1813%	14.7931%	0.3300%	0.3828%	2.1882%	4.1246%	100.0000%
129	P/F B Equalized Margins w/Misc. Rev.	\$220,010,558	\$43,169,995	\$982,464	\$1,142,982	\$6,607,421	\$12,463,986	\$284,377,406
		77.3657%	15.1805%	0.3455%	0.4019%	2.3235%	4.3829%	100.0000%
130	P/F B Normal Margins w/Misc. Rev.	\$209,678,086	\$50,102,892	\$1,495,411	\$1,185,416	\$8,376,622	\$13,538,979	\$284,377,406
		73.7323%	17.6185%	0.5259%	0.4168%	2.9456%	4.7609%	100.0000%

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
COST OF SERVICE STUDY
ALLOCATION OF RATE BASE

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2
SCHEDULE 2
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	No.	Allocation Method	Total	Rate 210	Rate 220	Rate 225	Rate 240	Rate 245	Rate 260
<u>GROSS PLANT</u>									
(1) Total Manufactured Gas Production	5	Design Day Sales	\$11,008,006	\$7,927,117	\$3,046,799	\$0	\$34,091	\$0	\$0
(2) Total Natural Gas Production Plant	2	Annual Sales	\$87,838	\$60,654	\$25,931	\$0	\$1,253	\$0	\$0
(3) Total Underground Storage Plant									
(4) Commodity	1	Annual Throughput	\$7,041,249	\$3,348,123	\$1,431,426	\$51,102	\$69,179	\$555,063	\$1,586,357
(5) Demand	5	Design Day Sales	\$14,082,498	\$10,141,128	\$3,897,757	\$0	\$43,612	\$0	\$0
(6) Winter	14	Winter Sales	\$14,082,498	\$9,860,345	\$4,035,891	\$0	\$186,262	\$0	\$0
(7) Total Distribution Plant									
(8) Mains									
(9) Customer	3	Number of Bills	\$229,733,657	\$209,250,199	\$19,955,974	\$189,083	\$40,867	\$227,367	\$70,166
(10) Commodity	1	Annual Throughput	\$168,419,502	\$80,083,699	\$34,238,246	\$1,222,305	\$1,654,683	\$13,276,535	\$37,944,034
(11) Demand	4	Design Day Throughput	\$168,419,502	\$97,556,702	\$37,496,059	\$2,703,425	\$419,548	\$10,797,868	\$19,445,900
(12) Land and Land Rights	103	Mains Plant	\$15,908,892	\$10,863,568	\$2,574,587	\$115,541	\$59,390	\$682,374	\$1,613,432
(13) Compressor Station Equipment	1	Annual Throughput	\$1,562,593	\$743,015	\$317,662	\$11,341	\$15,352	\$123,179	\$352,044
(14) Structures and Improvements	103	Mains Plant	\$2,559,900	\$1,748,057	\$414,277	\$18,592	\$9,556	\$109,801	\$259,617
(15) Measuring and Regulating Equipment	103	Mains Plant	\$40,874,759	\$27,911,795	\$6,614,894	\$296,859	\$152,591	\$1,753,224	\$4,145,395
(16) Services	8	Services Study	\$407,672,833	\$363,967,654	\$41,638,321	\$638,367	\$137,973	\$909,693	\$380,825
(17) Meters - Account 381 & 385	7	Account 381-385 Meters Study	\$72,833,351	\$48,820,864	\$20,112,278	\$190,564	\$395,746	\$1,803,929	\$1,509,971
(18) Meter Installations - Account 381 & 385	7	Account 381-385 Meters Study	\$56,858,321	\$38,112,655	\$15,700,917	\$148,766	\$308,944	\$1,408,261	\$1,178,779
(19) House Regulators - Account 381 & 385	7	Account 381-385 Meters Study	\$23,020,541	\$15,430,880	\$6,356,916	\$60,232	\$125,084	\$570,170	\$477,259
(20) Measuring and Regulating Equipment - Industrial	18	Account 385 Meters Study	\$21,733,576	\$0	\$5,762,029	\$54,595	\$2,146,162	\$7,933,600	\$5,837,190
(21) Other Distribution Equipment	109	Subtotal Distribution Plant	\$160,054	\$109,212	\$25,919	\$1,162	\$600	\$6,879	\$16,282
(22) Total General and Intangible Plant	110	Subtotal Gross Plant	\$58,474,454	\$43,105,903	\$9,480,507	\$265,447	\$270,054	\$1,869,508	\$3,483,034
(23) Total Gross Plant			\$1,314,534,022	\$969,041,570	\$213,126,389	\$5,967,379	\$6,070,947	\$42,027,454	\$78,300,283

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
COST OF SERVICE STUDY
ALLOCATION OF RATE BASE

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2
SCHEDULE 2
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	<u>No.</u>	<u>Allocation Method</u>	<u>Total</u>	<u>Rate 210</u>	<u>Rate 220</u>	<u>Rate 225</u>	<u>Rate 240</u>	<u>Rate 245</u>	<u>Rate 260</u>
<u>DEPRECIATION RESERVE</u>									
(1) Total Manufactured Gas Production Depr. Reserve	5	Design Day Sales	\$7,609,069	\$5,479,464	\$2,106,040	\$0	\$23,565	\$0	\$0
(2) Total Natural Gas Production Plant Depr. Reserve	2	Annual Sales	\$108,018	\$74,588	\$31,889	\$0	\$1,541	\$0	\$0
(3) Total Underground Storage Plant Depr. Reserve	111	Total Storage Plant	\$26,282,499	\$17,431,162	\$6,991,304	\$38,149	\$223,252	\$414,371	\$1,184,262
(4) Total Distribution Plant Depreciation Reserve									
(5) Mains	103	Mains Plant	\$239,104,419	\$163,275,179	\$38,695,038	\$1,736,529	\$892,611	\$10,255,809	\$24,249,253
(6) Land and Land Rights	103	Mains Plant	\$4,904,809	\$3,349,305	\$793,761	\$35,622	\$18,310	\$210,380	\$497,431
(7) Compressor Station Equipment	1	Annual Throughput	\$1,585,534	\$753,924	\$322,326	\$11,507	\$15,578	\$124,988	\$357,213
(8) Structures and Improvements	103	Mains Plant	\$1,715,964	\$1,171,766	\$277,700	\$12,462	\$6,406	\$73,602	\$174,028
(9) Measuring and Regulating Equipment	103	Mains Plant	\$12,217,356	\$8,342,761	\$1,977,174	\$88,730	\$45,609	\$524,034	\$1,239,048
(10) Services	8	Services Study	\$224,272,549	\$200,229,073	\$22,906,438	\$351,184	\$75,903	\$500,448	\$209,503
(11) Meters - Account 381 & 385	7	Account 381-385 Meters Study	\$20,558,303	\$13,780,419	\$5,676,992	\$53,789	\$111,705	\$509,186	\$426,212
(12) Meter Installations - Account 381 & 385	7	Account 381-385 Meters Study	\$35,000,894	\$23,461,421	\$9,665,184	\$91,578	\$190,180	\$866,899	\$725,634
(13) House Regulators - Account 381 & 385	7	Account 381-385 Meters Study	\$11,913,072	\$7,985,441	\$3,289,688	\$31,170	\$64,731	\$295,062	\$246,980
(14) Measuring and Regulating Equipment - Industrial	18	Account 385 Meters Study	\$9,308,976	\$0	\$2,468,006	\$23,384	\$919,249	\$3,398,138	\$2,500,199
(15) Other Distribution Equipment	109	Subtotal Distribution Plant	\$12,259	\$8,365	\$1,985	\$89	\$46	\$527	\$1,247
(16) General and Intangible Plant Depreciation Reserve	110	Subtotal Gross Plant	\$27,147,898	\$20,012,751	\$4,401,509	\$123,239	\$125,378	\$867,955	\$1,617,066
(17) Total Depreciation Reserve			\$621,741,619	\$465,355,618	\$99,605,032	\$2,597,433	\$2,714,063	\$18,041,399	\$33,428,074

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
COST OF SERVICE STUDY
ALLOCATION OF RATE BASE

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2
SCHEDULE 2
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	<u>No.</u>	<u>Allocation Method</u>	<u>Total</u>	<u>Rate 210</u>	<u>Rate 220</u>	<u>Rate 225</u>	<u>Rate 240</u>	<u>Rate 245</u>	<u>Rate 260</u>
<u>OTHER RATE BASE COMPONENTS</u>									
(1) Materials and Supplies/Stores	100	Gross Plant	\$2,441,239	\$1,799,620	\$395,800	\$11,082	\$11,274	\$78,050	\$145,413
(2) Cash Working Capital	0	Not Applicable	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(3) LP (Propane) Gas	5	Design Day Sales	\$780,037	\$561,722	\$215,899	\$0	\$2,416	\$0	\$0
(4) Gas Stored Underground/Current Recoverable	111	Total Storage Plant	\$12,027,072	\$7,976,633	\$3,199,274	\$17,457	\$102,162	\$189,619	\$541,927
(5) Gas Stored Underground/Non-Current Recoverable	111	Total Storage Plant	\$8,581,320	\$5,691,330	\$2,282,683	\$12,456	\$72,892	\$135,293	\$386,665
(6) Unamortized Acquisition Adjustment (Net of Accum. Dep)	100	Gross Plant	\$12,004,226	\$8,849,215	\$1,946,254	\$54,494	\$55,439	\$383,792	\$715,032
(7) Prepaid Gas Delivery									
(8) Demand	5	Design Day Sales	\$30,940,356	\$22,280,857	\$8,563,679	\$0	\$95,820	\$0	\$0
(9) Winter	14	Winter Sales	\$30,940,356	\$21,663,954	\$8,867,170	\$0	\$409,232	\$0	\$0
(10) Total Other Rate Base Component:			<u>\$97,714,606</u>	<u>\$68,823,331</u>	<u>\$25,470,760</u>	<u>\$95,489</u>	<u>\$749,235</u>	<u>\$786,754</u>	<u>\$1,789,037</u>
(11) Total Rate Base			<u>\$790,507,010</u>	<u>\$572,509,283</u>	<u>\$138,992,117</u>	<u>\$3,465,435</u>	<u>\$4,106,119</u>	<u>\$24,772,809</u>	<u>\$46,661,247</u>

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
COST OF SERVICE STUDY
ALLOCATION OF DEPRECIATION AND AMORTIZATION EXPENSE

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2
SCHEDULE 3
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	No.	Allocation Method	Total	Rate 210	Rate 220	Rate 225	Rate 240	Rate 245	Rate 260
<u>DEPRECIATION AND AMORTIZATION EXPENSES</u>									
(1) Total Manufactured Gas Production	5	Design Day Sales	\$404,900	\$291,578	\$112,068	\$0	\$1,254	\$0	\$0
(2) Total Natural Gas Production Plant	2	Annual Sales	\$2,328	\$1,607	\$687	\$0	\$33	\$0	\$0
(3) Total Underground Storage Plant	111	Total Storage Plant	\$1,338,754	\$887,893	\$356,117	\$1,943	\$11,372	\$21,107	\$60,323
(4) Total Distribution									
(5) Mains	103	Mains Plant	\$16,090,664	\$10,987,693	\$2,604,004	\$116,861	\$60,069	\$690,170	\$1,631,867
(6) Land and Land Rights	103	Mains Plant	\$315,205	\$215,241	\$51,011	\$2,289	\$1,177	\$13,520	\$31,967
(7) Compressor Station Equipment	1	Annual Throughput	\$62,660	\$29,795	\$12,738	\$455	\$616	\$4,939	\$14,117
(8) Structures and Improvements	103	Mains Plant	\$88,743	\$60,599	\$14,362	\$645	\$331	\$3,806	\$9,000
(9) Measuring and Regulating Equipment	103	Mains Plant	\$1,438,783	\$982,490	\$232,843	\$10,449	\$5,371	\$61,713	\$145,917
(10) Services	8	Services Study	\$21,402,824	\$19,108,302	\$2,186,012	\$33,514	\$7,244	\$47,759	\$19,993
(11) Meters - Account 381 & 385	7	Account 381-385 Meters Study	\$1,759,520	\$1,179,422	\$485,876	\$4,604	\$9,560	\$43,580	\$36,478
(12) Meter Installations - Account 381 & 385	7	Account 381-385 Meters Study	\$2,654,750	\$1,779,503	\$733,085	\$6,946	\$14,425	\$65,753	\$55,038
(13) House Regulators - Account 381 & 385	7	Account 381-385 Meters Study	\$919,005	\$616,018	\$253,775	\$2,405	\$4,993	\$22,762	\$19,053
(14) Measuring and Regulating Equipment - Industrial	18	Account 385 Meters Study	\$1,495,369	\$0	\$396,454	\$3,756	\$147,666	\$545,868	\$401,625
(15) Other Distribution Equipment	109	Subtotal Distribution Plant	\$6,108	\$4,168	\$989	\$44	\$23	\$263	\$621
(16) General and Intangible Plant	110	Subtotal Gross Plant	\$1,837,738	\$1,354,735	\$297,954	\$8,342	\$8,487	\$58,755	\$109,465
(17) Amortization of Leasehold Improvements	110	Subtotal Gross Plant	\$50,514	\$37,238	\$8,190	\$229	\$233	\$1,615	\$3,009
(18) Amortization of Acquisition Adjustment	100	Gross Plant	\$567,250	\$418,162	\$91,969	\$2,575	\$2,620	\$18,136	\$33,788
(19) Total Depreciation and Amortization Expense			<u>\$50,435,116</u>	<u>\$37,954,444</u>	<u>\$7,838,133</u>	<u>\$195,058</u>	<u>\$275,474</u>	<u>\$1,599,745</u>	<u>2,572,262</u>

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
COST OF SERVICE STUDY
ALLOCATION OF OPERATION AND MAINTENANCE EXPENSE
PROFORMA A (PRESENT REVENUE LEVELS)

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2
SCHEDULE 4
PAGE 1 OF 2

	<u>No.</u>	<u>Allocation Method</u>	<u>Total</u>	<u>Rate 210</u>	<u>Rate 220</u>	<u>Rate 225</u>	<u>Rate 240</u>	<u>Rate 245</u>	<u>Rate 260</u>
PROFORMA COST OF GAS									
(1) Proforma Cost of Gas (GCA)	11	Proforma Gas Costs (Excl. UAFG)	\$575,050,962	\$397,266,861	\$169,847,026	\$0	\$7,937,075	\$0	\$0
(2) Storage Related Company Use (GCA)	9	Weighted Storage Allocator	\$596,807	\$386,440	\$165,215	\$866	\$7,985	\$9,409	\$26,891
(3) Distribution Related Company Use (GCA)	1	Annual Throughput	\$432,170	\$205,498	\$87,857	\$3,136	\$4,246	\$34,068	\$97,366
(4) UAFG-Other (Base Rates)	2	Annual Sales	\$2,572,443	\$1,776,313	\$759,428	\$0	\$36,702	\$0	\$0
(5) Total Proforma Cost of Gas:			<u>\$578,652,382</u>	<u>\$399,635,111</u>	<u>\$170,859,526</u>	<u>\$4,003</u>	<u>\$7,986,008</u>	<u>\$43,477</u>	<u>\$124,257</u>
OPERATING EXPENSES									
(6) Total Manufactured Gas Production Expenses	5	Design Day Sales	\$333,628	\$240,253	\$92,342	\$0	\$1,033	\$0	\$0
(7) Total Underground Storage Expense	111	Total Storage Plant	\$1,619,918	\$1,074,367	\$430,908	\$2,351	\$13,760	\$25,540	\$72,992
(8) Total Distribution Expenses									
(9) Measuring and Regulating Equipment	103	Mains Plant	\$1,248,627	\$852,640	\$202,069	\$9,068	\$4,661	\$53,557	\$126,632
(10) Mains and Services	107	Mains and Services Plant	\$16,245,960	\$12,431,827	\$2,248,206	\$81,540	\$39,078	\$437,557	\$1,007,752
(11) Meter, Meter Installation and House Regulator	108	Meters, Installations & House Regulators	\$1,788,701	\$1,198,983	\$493,934	\$4,680	\$9,719	\$44,302	\$37,083
(12) Customer Installation Expenses	3	Number of Bills	\$7,282,901	\$6,633,544	\$632,634	\$5,994	\$1,296	\$7,208	\$2,224
(13) Structures and Improvements	103	Mains Plant	\$2,859,685	\$1,952,768	\$462,792	\$20,769	\$10,676	\$122,659	\$290,021
(14) Supervision and Engineering	119	Distribution O&M (P/F B)	\$5,571,133	\$4,367,745	\$764,815	\$23,108	\$12,388	\$125,957	\$277,121
(15) Other Distribution	119	Distribution O&M (P/F B)	\$5,910,588	\$4,633,876	\$811,416	\$24,516	\$13,142	\$133,631	\$294,007
(16) Total Customer Accounts Expenses (Excl. Uncoll.)	3	Number of Bills	\$18,059,991	\$16,449,730	\$1,568,794	\$14,864	\$3,213	\$17,874	\$5,516
(17) Uncollectibles	10	Uncollectibles Analysis	\$7,479,189	\$7,010,952	\$390,773	\$2,593	\$0	\$10,856	\$64,015
(18) Total Customer Service Expenses	3	Number of Bills	\$1,430,881	\$1,303,301	\$124,294	\$1,178	\$255	\$1,416	\$437
(19) Total Sales Expenses	115	O&M Without Gas Costs (P/F A)	\$3,703,303	\$3,088,836	\$437,410	\$9,868	\$5,904	\$50,883	\$110,403
(20) Administrative and General									
(21) Plant-Related	100	Gross Plant	\$1,517,714	\$1,118,821	\$246,068	\$6,890	\$7,009	\$48,523	\$90,403
(22) Salaries-Related	125	Labor Allocator	\$15,360,422	\$12,886,536	\$1,816,328	\$38,755	\$22,358	\$188,729	\$407,716
(23) Asset Charge	126	Asset Charge Study	\$15,620,049	\$13,195,124	\$1,801,115	\$36,368	\$24,546	\$188,179	\$374,717
(24) Other	115	O&M Without Gas Costs (P/F A)	<u>\$8,530,169</u>	<u>\$7,114,808</u>	<u>\$1,007,529</u>	<u>\$22,730</u>	<u>\$13,599</u>	<u>\$117,203</u>	<u>\$254,301</u>
(25) Total Proforma A Operating Costs			<u>\$114,562,860</u>	<u>\$95,554,113</u>	<u>\$13,531,427</u>	<u>\$305,273</u>	<u>\$182,636</u>	<u>\$1,574,074</u>	<u>\$3,415,338</u>
(26) Total Depreciation and Amortization Expense			<u>\$50,435,116</u>	<u>\$37,954,444</u>	<u>\$7,838,133</u>	<u>\$195,058</u>	<u>\$275,474</u>	<u>\$1,599,745</u>	<u>\$2,572,262</u>
(27) Total Proforma A Operating and Maintenance Expenses Before Taxe			<u>\$743,650,358</u>	<u>\$533,143,668</u>	<u>\$192,229,086</u>	<u>\$504,333</u>	<u>\$8,444,118</u>	<u>\$3,217,296</u>	<u>\$6,111,857</u>

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
COST OF SERVICE STUDY
ALLOCATION OF OPERATION AND MAINTENANCE EXPENSE
PROFORMA B (PROPOSED REVENUE LEVELS)

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2
SCHEDULE 4
PAGE 2 OF 2

	<u>NO.</u>	<u>Allocation Method</u>	<u>Total</u>	<u>Rate 210</u>	<u>Rate 220</u>	<u>Rate 225</u>	<u>Rate 240</u>	<u>Rate 245</u>	<u>Rate 260</u>
PROFORMA COST OF COST									
(1) Proforma Cost of Gas (GCA)	11	Proforma Gas Costs (Excl. UAFG)	\$575,050,962	\$397,266,861	\$169,847,026	\$0	\$7,937,075	\$0	\$0
(2) Storage Related Company Use (GCA)	9	Weighted Storage Allocator	\$596,807	\$386,440	\$165,215	\$866	\$7,985	\$9,409	\$26,891
(3) Distribution Related Company Use (GCA)	1	Annual Throughput	\$432,170	\$205,498	\$87,857	\$3,136	\$4,246	\$34,068	\$97,366
(4) UAFG-Other (Base Rates)	2	Annual Sales	\$2,572,443	\$1,776,313	\$759,428	\$0	\$36,702	\$0	\$0
(5) Total Proforma Cost of Gas:			<u>\$578,652,382</u>	<u>\$399,635,111</u>	<u>\$170,859,526</u>	<u>\$4,003</u>	<u>\$7,986,008</u>	<u>\$43,477</u>	<u>\$124,257</u>
OPERATING EXPENSES									
(6) Total Manufactured Gas Production Expenses	5	Design Day Sales	\$333,628	\$240,253	\$92,342	\$0	\$1,033	\$0	\$0
(7) Total Underground Storage Expense	111	Total Storage Plant	\$1,619,918	\$1,074,367	\$430,908	\$2,351	\$13,760	\$25,540	\$72,992
(8) Total Distribution Expenses									
(9) Measuring and Regulating Equipment	103	Mains Plant	\$1,248,627	\$852,640	\$202,069	\$9,068	\$4,661	\$53,557	\$126,632
(10) Mains and Services	107	Mains and Services Plant	\$16,245,960	\$12,431,827	\$2,248,206	\$81,540	\$39,078	\$437,557	\$1,007,752
(11) Meter, Meter Installation and House Regulator	108	Meters, Installations & House Regulators	\$1,788,701	\$1,198,983	\$493,934	\$4,680	\$9,719	\$44,302	\$37,083
(12) Customer Installation Expenses	3	Number of Bills	\$7,282,901	\$6,633,544	\$632,634	\$5,994	\$1,296	\$7,208	\$2,224
(13) Structures and Improvements	103	Mains Plant	\$2,859,685	\$1,952,768	\$462,792	\$20,769	\$10,676	\$122,659	\$290,021
(14) Supervision and Engineering	119	Distribution O&M (P/F B)	\$5,571,133	\$4,367,745	\$764,815	\$23,108	\$12,388	\$125,957	\$277,121
(15) Other Distribution	119	Distribution O&M (P/F B)	\$5,910,588	\$4,633,876	\$811,416	\$24,516	\$13,142	\$133,631	\$294,007
(16) Total Customer Accounts Expenses (Excl. Uncoll.)	3	Number of Bills	\$18,059,991	\$16,449,730	\$1,568,794	\$14,864	\$3,213	\$17,874	\$5,516
(17) Uncollectibles	10	Uncollectibles Analysis	\$7,853,571	\$7,361,896	\$410,333	\$2,723	\$0	\$11,399	\$67,219
(18) Total Customer Service Expenses	3	Number of Bills	\$1,430,881	\$1,303,301	\$124,294	\$1,178	\$255	\$1,416	\$437
(19) Total Sales Expenses	117	O&M Without Gas Costs (P/F B)	\$3,703,303	\$3,078,359	\$438,294	\$10,207	\$6,001	\$53,163	\$117,280
(20) Administrative and General									
(21) Plant-Related	100	Gross Plant	\$1,517,714	\$1,118,821	\$246,068	\$6,890	\$7,009	\$48,523	\$90,403
(22) Salaries-Related	125	Labor Allocator	\$15,360,422	\$12,886,536	\$1,816,328	\$38,755	\$22,358	\$188,729	\$407,716
(23) Asset Charge	126	Asset Charge Study	\$15,620,049	\$13,195,124	\$1,801,115	\$36,368	\$24,546	\$188,179	\$374,717
(24) Other	117	O&M Without Gas Costs (P/F B)	<u>\$8,575,424</u>	<u>\$7,128,293</u>	<u>\$1,014,920</u>	<u>\$23,635</u>	<u>\$13,897</u>	<u>\$123,104</u>	<u>\$271,575</u>
(25) Total Proforma B Operating Costs			<u>\$114,982,497</u>	<u>\$95,908,064</u>	<u>\$13,559,262</u>	<u>\$306,646</u>	<u>\$183,031</u>	<u>\$1,582,799</u>	<u>\$3,442,695</u>
(26) Total Depreciation and Amortization Expense			<u>\$50,435,116</u>	<u>\$37,954,444</u>	<u>\$7,838,133</u>	<u>\$195,058</u>	<u>\$275,474</u>	<u>\$1,599,745</u>	<u>\$2,572,262</u>
(27) Total Proforma B Operating and Maintenance Expenses Before Taxe			<u>\$744,069,995</u>	<u>\$533,497,619</u>	<u>\$192,256,921</u>	<u>\$505,707</u>	<u>\$8,444,513</u>	<u>\$3,226,021</u>	<u>\$6,139,214</u>

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
COST OF SERVICE STUDY
ALLOCATION OF MISCELLANEOUS REVENUES AND CREDITS

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2
SCHEDULE 5
PAGE 1 OF 1

		<u>Allocation Method</u>	<u>Total</u>	<u>Rate 210</u>	<u>Rate 220</u>	<u>Rate 225</u>	<u>Rate 240</u>	<u>Rate 245</u>	<u>Rate 260</u>
<u>MISCELLANEOUS REVENUES AND CREDITS</u>									
(1)	Rate 270 Margin	127 P/F A Normal Margins w/o Misc. Rev.	\$5,173,058	\$3,617,985	\$1,054,603	\$32,507	\$21,449	\$181,433	\$265,082
(2)	Miscellaneous Revenue								
(3)	Reconnect fees	13 Miscellaneous Revenues Analysis	\$1,692,516	\$1,235,281	\$403,775	\$2,680	\$8,590	\$16,723	\$25,467
(4)	Diversion Fees	26 Direct to Residential	\$64,450	\$64,450	\$0	\$0	\$0	\$0	\$0
(5)	Late Payment Charges (Forfeited discounts)	13 Miscellaneous Revenues Analysis	\$5,748,719	\$4,195,697	\$1,371,443	\$9,102	\$29,176	\$56,802	\$86,499
(6)	Non-sufficient Funds Fees	13 Miscellaneous Revenues Analysis	\$222,088	\$162,091	\$52,982	\$352	\$1,127	\$2,194	\$3,342
(7)	Other - MBO and Misc. (Lease)	127 P/F A Normal Margins w/o Misc. Rev.	\$1,057,408	\$739,541	\$215,568	\$6,645	\$4,384	\$37,086	\$54,185
(8)	Daily Reservation Charge	111 Total Storage Plant	\$128,700	\$85,357	\$34,235	\$187	\$1,093	\$2,029	\$5,799
(9)	Total Miscellaneous Revenues		<u>\$14,086,939</u>	<u>\$10,100,401</u>	<u>\$3,132,607</u>	<u>\$51,471</u>	<u>\$65,819</u>	<u>\$296,268</u>	<u>\$440,373</u>

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
COST OF SERVICE STUDY
CALCULATION OF TAXES, NET OPERATING INCOME AND REVENUES
PROFORMA A NORMALIZED TAXES

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2
SCHEDULE 6
PAGE 1 OF 9

No.	ALLOCATION METHOD	Total	Rate 210	Rate 220	Rate 225	Rate 240	Rate 245	Rate 260
	Proforma A Normalized Revenues. w/o Misc. Rev.	\$807,801,984	\$559,900,057	\$217,574,994	\$1,443,940	\$8,936,124	\$8,080,355	\$11,866,515
	Proforma A Normalized Miscellaneous Revenues	14,086,939	10,100,401	3,132,607	51,471	65,819	296,268	440,373
	Proforma A Normalized Rev. w/Misc. Revenue:	<u>\$821,888,922</u>	<u>\$570,000,458</u>	<u>\$220,707,600</u>	<u>\$1,495,411</u>	<u>\$9,001,943</u>	<u>\$8,376,622</u>	<u>\$12,306,887</u>
Indiana Utility Receipts Taxes								
	Total Proforma A Normalized Revenues w/ Misc. Rev.	\$821,888,922	\$570,000,458	\$220,707,600	\$1,495,411	\$9,001,943	\$8,376,622	\$12,306,887
	Less: Uncollectible Expense	(7,479,189)	(7,010,953)	(390,773)	(2,593)	0	(10,856)	(64,015)
	Less: Statutory Exemption	(1,000)	(694)	(269)	(2)	(11)	(10)	(15)
	Income for Utility Receipts Tax	<u>\$814,408,733</u>	<u>\$562,988,812</u>	<u>\$220,316,559</u>	<u>\$1,492,815</u>	<u>\$9,001,932</u>	<u>\$8,365,757</u>	<u>\$12,242,857</u>
	Utility Receipts Tax Rate	1.40%	1.40%	1.40%	1.40%	1.40%	1.40%	1.40%
	Utility Receipts Tax	<u>\$11,401,722</u>	<u>\$7,881,843</u>	<u>\$3,084,432</u>	<u>\$20,899</u>	<u>\$126,027</u>	<u>\$117,121</u>	<u>\$171,400</u>
State Income Taxes								
	Total Proforma A Normalized Revenues	\$821,888,922	\$570,000,458	\$220,707,600	\$1,495,411	\$9,001,943	\$8,376,622	\$12,306,887
	Less: Operation and Maintenance Expenses	(114,562,860)	(95,554,113)	(13,531,427)	(305,273)	(182,636)	(1,574,074)	(3,415,338)
	Less: Gas Costs	(578,652,382)	(399,635,111)	(170,859,526)	(4,003)	(7,986,008)	(43,477)	(124,257)
	Less: Depreciation	(50,435,116)	(37,954,444)	(7,838,133)	(195,058)	(275,474)	(1,599,745)	(2,572,262)
	Less: Property Taxes	(10,117,719)	(7,458,529)	(1,640,393)	(45,930)	(46,727)	(323,477)	(602,662)
	Less: Other Taxes	0	0	0	0	0	0	0
	Less: Utility Receipts Tax	0	0	0	0	0	0	0
	Less: Interest Expense	(21,976,095)	(15,915,758)	(3,863,981)	(96,339)	(114,150)	(688,684)	(1,297,183)
	Plus: Non-Deductible State Expenses	571,846	414,148	100,546	2,507	2,970	17,920	33,754
	Income for State Income Taxes	<u>\$46,716,596</u>	<u>\$13,896,651</u>	<u>\$23,074,686</u>	<u>\$851,315</u>	<u>\$399,919</u>	<u>\$4,165,085</u>	<u>\$4,328,939</u>
	State Income Tax Rate	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%
	State Income Taxes	<u>\$3,970,911</u>	<u>\$1,181,215</u>	<u>\$1,961,348</u>	<u>\$72,362</u>	<u>\$33,993</u>	<u>\$354,032</u>	<u>\$367,960</u>
	Less: Deferred State Tax Flowback	223,630	168,291	34,754	865	1,221	7,093	11,405
	Total State Tax Liability	<u>\$4,194,541</u>	<u>\$1,349,506</u>	<u>\$1,996,103</u>	<u>\$73,227</u>	<u>\$35,215</u>	<u>\$361,126</u>	<u>\$379,365</u>

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
COST OF SERVICE STUDY
CALCULATION OF TAXES, NET OPERATING INCOME AND REVENUES
PROFORMA A NORMALIZED TAXES (Cont.)

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2
SCHEDULE 6
PAGE 2 OF 9

No.	ALLOCATION METHOD	Total	Rate 210	Rate 220	Rate 225	Rate 240	Rate 245	Rate 260
<u>Federal Income Taxes</u>								
	Total Proforma A Normalized Revenues	\$821,888,922	\$570,000,458	\$220,707,600	\$1,495,411	\$9,001,943	\$8,376,622	\$12,306,887
	Less: Operation and Maintenance Expenses	(114,562,860)	(95,554,113)	(13,531,427)	(305,273)	(182,636)	(1,574,074)	(3,415,338)
	Less: Gas Costs	(578,652,382)	(399,635,111)	(170,859,526)	(4,003)	(7,986,008)	(43,477)	(124,257)
	Less: Depreciation	(50,435,116)	(37,954,444)	(7,838,133)	(195,058)	(275,474)	(1,599,745)	(2,572,262)
	Less: Property Taxes	(10,117,719)	(7,458,529)	(1,640,393)	(45,930)	(46,727)	(323,477)	(602,662)
	Less: Other Taxes	0	0	0	0	0	0	0
	Less: Utility Receipts Tax	(11,401,722)	(7,881,843)	(3,084,432)	(20,899)	(126,027)	(117,121)	(171,400)
	Less: Interest Expense	(21,976,095)	(15,915,758)	(3,863,981)	(96,339)	(114,150)	(688,684)	(1,297,183)
	Plus: Non-Deductible Federal Expenses	274,346	198,690	48,237	1,203	1,425	8,597	16,194
102	Original Cost Rate Base	(3,970,911)	(1,181,215)	(1,961,348)	(72,362)	(33,993)	(354,032)	(367,960)
	Income for Federal Income Taxes	\$31,046,463	\$4,618,133	\$17,976,597	\$756,750	\$238,354	\$3,684,609	\$3,772,019
	Federal Income Tax Rate	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
	Federal Income Taxes	\$10,866,262	\$1,616,347	\$6,291,809	\$264,863	\$83,424	\$1,289,613	\$1,320,207
	Less: Investment Tax Credit	(814,109)	(600,141)	(131,992)	(3,696)	(3,760)	(26,028)	(48,492)
100	Gross Plant	(319,336)	(240,313)	(49,628)	(1,235)	(1,744)	(10,129)	(16,287)
120	Total Depreciation Expenses							
	Total Federal Tax Liability	\$9,732,817	\$775,893	\$6,110,189	\$259,932	\$77,920	\$1,253,456	\$1,255,428
<u>Net Operating Income</u>								
	Total Proforma A Normalized Margins	\$821,888,922	\$570,000,458	\$220,707,600	\$1,495,411	\$9,001,943	\$8,376,622	\$12,306,887
	Less: Operation and Maintenance Expenses	(114,562,860)	(95,554,113)	(13,531,427)	(305,273)	(182,636)	(1,574,074)	(3,415,338)
	Less: Gas Costs	(578,652,382)	(399,635,111)	(170,859,526)	(4,003)	(7,986,008)	(43,477)	(124,257)
	Less: Depreciation	(50,435,116)	(37,954,444)	(7,838,133)	(195,058)	(275,474)	(1,599,745)	(2,572,262)
	Less: Other Taxes	0	0	0	0	0	0	0
	Less: Utility Receipts Tax	(11,401,722)	(7,881,843)	(3,084,432)	(20,899)	(126,027)	(117,121)	(171,400)
	Less: Property Taxes	(10,117,719)	(7,458,529)	(1,640,393)	(45,930)	(46,727)	(323,477)	(602,662)
	Less: State Income Taxes	(4,194,541)	(1,349,506)	(1,996,103)	(73,227)	(35,215)	(361,126)	(379,365)
	Less: Total Federal Income Tax Liability	(9,732,817)	(775,893)	(6,110,189)	(259,932)	(77,920)	(1,253,456)	(1,255,428)
	Net Operating Income	\$42,791,765	\$19,391,018	\$15,647,398	\$591,090	\$271,937	\$3,104,147	\$3,786,175
<u>Total Rate Base</u>								
	Total Rate Base	\$790,507,010	\$572,509,283	\$138,992,117	\$3,465,435	\$4,106,119	\$24,772,809	\$46,661,247
<u>Rate of Return</u>								
	Rate of Return	5.41%	3.39%	11.26%	17.06%	6.62%	12.53%	8.11%

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
COST OF SERVICE STUDY
CALCULATION OF TAXES, NET OPERATING INCOME AND REVENUES
PROFORMA A EQUALIZED TAXES

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2
SCHEDULE 6
PAGE 3 OF 9

	NO.	ALLOCATION METHOD	TOTAL	Rate 210	Rate 220	Rate 225	Rate 240	Rate 245	Rate 260
Rate Base			\$790,507,010	\$572,509,283	\$138,992,117	\$3,465,435	\$4,106,119	\$24,772,809	\$46,661,247
Allowed Rate of Return			5.4132%	5.4132%	5.4132%	5.4132%	5.4132%	5.4132%	5.4132%
Allowed Net Operating Income			\$42,791,765	\$30,991,101	\$7,523,928	\$187,591	\$222,273	\$1,341,003	\$2,525,869
Federal Income Taxes									
Net Operating Income			\$42,791,765	\$30,991,101	\$7,523,928	\$187,591	\$222,273	\$1,341,003	\$2,525,869
Less: Interest Expense	102	Original Cost Rate Base	(21,976,095)	(15,915,758)	(3,863,981)	(96,339)	(114,150)	(688,684)	(1,297,183)
Plus: Non-Deductible Federal Expenses			274,346	198,690	48,237	1,203	1,425	8,597	16,194
Plus: Investment Tax Credit	100	Gross Plant	(814,109)	(600,141)	(131,992)	(3,696)	(3,760)	(26,028)	(48,492)
Less: Deferred State Tax Flowback	120	Total Depreciation Expenses	223,630	168,291	34,754	865	1,221	7,093	11,405
Less: Deferred Federal Tax Flowback	120	Total Depreciation Expenses	(319,336)	(240,313)	(49,628)	(1,235)	(1,744)	(10,129)	(16,287)
Total Amount to Calculate Federal Taxes			\$20,180,201	\$14,601,869	\$3,561,319	\$88,389	\$105,265	\$631,852	\$1,191,507
Federal Tax Factor (Tax Rate/(1-Tax Rate))			53.8462%	53.8462%	53.8462%	53.8462%	53.8462%	53.8462%	53.8462%
Federal Income Taxes Before Flowback			\$10,866,262	\$7,862,545	\$1,917,633	\$47,594	\$56,681	\$340,228	\$641,580
Less: Deferred Federal Tax Flowback	120	Total Depreciation Expenses	(319,336)	(240,313)	(49,628)	(1,235)	(1,744)	(10,129)	(16,287)
Less: Investment Tax Credit			(814,109)	(600,141)	(131,992)	(3,696)	(3,760)	(26,028)	(48,492)
Federal Income Taxes After Flowback			\$9,732,817	\$7,022,091	\$1,736,013	\$42,663	\$51,177	\$304,071	\$576,801
State Income Taxes									
Net Operating Income			\$42,791,765	\$30,991,101	\$7,523,928	\$187,591	\$222,273	\$1,341,003	\$2,525,869
Less: Interest Expense			(21,976,095)	(15,915,758)	(3,863,981)	(96,339)	(114,150)	(688,684)	(1,297,183)
Plus: Non-Deductible State Expenses			571,846	414,148	100,546	2,507	2,970	17,920	33,754
Plus: Utility Receipts Tax			\$11,401,722	\$8,159,046	\$2,890,311	\$11,256	\$124,839	\$74,971	\$141,300
Plus: Investment Tax Credit			0	0	0	0	0	0	0
Plus: Federal Income Taxes			9,732,817	7,022,091	1,736,013	42,663	51,177	304,071	576,801
Plus: Property taxes	100	Gross Plant	\$0	0	0	0	0	0	0
Less: Deferred State Tax Flowback	102	Original Cost Rate Base	\$223,630	161,960	39,320	980	1,162	7,008	13,200
Total Amount to Calculate State Taxes			\$42,745,685	\$30,832,588	\$8,426,137	\$148,658	\$288,270	\$1,056,290	\$1,993,742
State Tax Factor (Tax Rate/(1-Tax Rate))			9.2896%	9.2896%	9.2896%	9.2896%	9.2896%	9.2896%	9.2896%
State Income Taxes-Current and Deferred			\$3,970,911	\$2,864,229	\$782,756	\$13,810	\$26,779	\$98,125	\$185,211
Less: Deferred State Tax Flowback	102	Original Cost Rate Base	\$223,630	161,960	39,320	980	1,162	7,008	13,200
State Income Tax After Flowback			\$4,194,541	\$3,026,189	\$822,076	\$14,790	\$27,941	\$105,133	\$198,411

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
COST OF SERVICE STUDY
CALCULATION OF TAXES, NET OPERATING INCOME AND REVENUES
PROFORMA A EQUALIZED TAXES (Cont.)

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2
SCHEDULE 6
PAGE 4 OF 9

	<u>NO.</u>	<u>ALLOCATION METHOD</u>	<u>TOTAL</u>	<u>Rate 210</u>	<u>Rate 220</u>	<u>Rate 225</u>	<u>Rate 240</u>	<u>Rate 245</u>	<u>Rate 260</u>
<u>Utility Receipts Taxes</u>									
Net Operating Income			42,791,765	30,991,101	7,523,928	187,591	222,273	1,341,003	2,525,869
Plus: Operating & Maintenance Expenses			\$114,562,860	\$95,554,113	\$13,531,427	\$305,273	\$182,636	\$1,574,074	\$3,415,338
Plus: Gas Costs (Rate 70 + UAFG)			\$578,652,382	\$399,635,111	\$170,859,526	\$4,003	\$7,986,008	\$43,477	\$124,257
Plus: Depreciation and Amortization Expenses			\$50,435,116	\$37,954,444	\$7,838,133	\$195,058	\$275,474	\$1,599,745	\$2,572,262
Plus: Investment Tax Credit			0	0	0	0	0	0	0
Plus: Federal Income Taxes			9,732,817	7,022,091	1,736,013	42,663	51,177	304,071	576,801
Plus: State Income Taxes			4,194,541	3,026,189	822,076	14,790	27,941	105,133	198,411
Plus: Property Taxes			10,117,719	7,458,529	1,640,393	45,930	46,727	323,477	602,662
Plus: Other Taxes	117	O&M Without Gas Costs (P/F B)	0	0	0	0	0	0	0
Less: Uncollectible Expense	10	Uncollectibles Analysis	(7,479,189)	(7,010,953)	(390,773)	(2,593)	0	(10,856)	(64,015)
Less: Statutory Exemption	121	P/F A Normal Rev. w/ Misc. Rev.	(1,000)	(694)	(269)	(2)	(11)	(10)	(15)
Total Amount to Calculate Utility Receipts Taxes			\$803,007,011	\$574,629,933	\$203,560,455	\$792,712	\$8,792,224	\$5,280,115	\$9,951,571
Utility Receipts Tax Factor (Tax Rate/(1-Tax Rate))			1.4199%	1.4199%	1.4199%	1.4199%	1.4199%	1.4199%	1.4199%
Utility Receipts Taxes			\$11,401,722	\$8,159,046	\$2,890,311	\$11,256	\$124,839	\$74,971	\$141,300
<u>Derivation of Proforma A Equalized Revenues</u>									
Net Operating Income			42,791,765	30,991,101	7,523,928	187,591	222,273	1,341,003	2,525,869
Plus: Operating & Maintenance Expenses			\$114,562,860	\$95,554,113	\$13,531,427	\$305,273	\$182,636	\$1,574,074	\$3,415,338
Plus: Gas Costs			578,652,382	399,635,111	170,859,526	4,003	7,986,008	43,477	124,257
Plus: Depreciation and Amortization Expenses			\$50,435,116	\$37,954,444	\$7,838,133	\$195,058	\$275,474	\$1,599,745	\$2,572,262
Plus: Federal Income Taxes			9,732,817	7,022,091	1,736,013	42,663	51,177	304,071	576,801
Plus: State Income Taxes			4,194,541	3,026,189	822,076	14,790	27,941	105,133	198,411
Plus: Gross Income Taxes			11,401,722	8,159,046	2,890,311	11,256	124,839	74,971	141,300
Plus: Property Taxes			10,117,719	7,458,529	1,640,393	45,930	46,727	323,477	602,662
Plus: Other Taxes			0	0	0	0	0	0	0
Plus: Investment Tax Credit			0	0	0	0	0	0	0
Proforma A Equalized Revenues w/Misc. Rev			\$821,888,922	\$589,800,625	\$206,841,807	\$806,563	\$8,917,074	\$5,365,952	\$10,156,901

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
COST OF SERVICE STUDY
CALCULATION OF TAXES, NET OPERATING INCOME AND REVENUES
PROFORMA B EQUALIZED TAXES

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2
SCHEDULE 6
PAGE 5 OF 9

	NO.	ALLOCATION METHOD	TOTAL	Rate 210	Rate 220	Rate 225	Rate 240	Rate 245	Rate 260
Rate Base			\$790,507,010	\$572,509,283	\$138,992,117	\$3,465,435	\$4,106,119	\$24,772,809	\$46,661,247
Allowed Rate of Return			8.4300%	8.4300%	8.4300%	8.4300%	8.4300%	8.4300%	8.4300%
Allowed Net Operating Income			\$66,639,741	\$48,262,533	\$11,717,035	\$292,136	\$346,146	\$2,088,348	\$3,933,543
Federal Income Taxes									
Net Operating Income			\$66,639,741	\$48,262,533	\$11,717,035	\$292,136	\$346,146	\$2,088,348	\$3,933,543
Less: Interest Expense			(21,976,095)	(15,915,758)	(3,863,981)	(96,339)	(114,150)	(688,684)	(1,297,183)
Plus: Non-Deductible Expenses			274,346	198,690	48,237	1,203	1,425	8,597	16,194
Plus: Investment Tax Credit			(814,109)	(600,141)	(131,992)	(3,696)	(3,760)	(26,028)	(48,492)
Less: Deferred State Tax Flowback			223,630	168,291	34,754	865	1,221	7,093	11,405
Less: Deferred Federal Tax Flowback			(319,336)	(240,313)	(49,628)	(1,235)	(1,744)	(10,129)	(16,287)
Total Amount to Calculate Federal Taxes			\$44,028,177	\$31,873,301	\$7,754,426	\$192,934	\$229,138	\$1,379,197	\$2,599,181
Federal Tax Factor (Tax Rate/(1-Tax Rate))			53.8462%	53.8462%	53.8462%	53.8462%	53.8462%	53.8462%	53.8462%
Federal Income Taxes Before Flowback and ITC			\$23,707,480	\$17,162,547	\$4,175,460	\$103,888	\$123,382	\$742,645	\$1,399,559
Less: Deferred Federal Tax Flowback			(319,336)	(240,313)	(49,628)	(1,235)	(1,744)	(10,129)	(16,287)
Less: Investment Tax Credit			(814,109)	(600,141)	(131,992)	(3,696)	(3,760)	(26,028)	(48,492)
Federal Income Tax Liability			\$22,574,035	\$16,322,093	\$3,993,840	\$98,957	\$117,878	\$706,488	\$1,334,780
State Income Taxes									
Net Operating Income			\$66,639,741	\$48,262,533	\$11,717,035	\$292,136	\$346,146	\$2,088,348	\$3,933,543
Less: Interest Expense			(21,976,095)	(15,915,758)	(3,863,981)	(96,339)	(114,150)	(688,684)	(1,297,183)
Plus: Non-Deductible State Expenses			571,846	414,148	100,546	2,507	2,970	17,920	33,754
Plus: Utility Receipts Tax			\$11,972,453	\$8,571,963	\$2,990,665	\$13,772	\$127,806	\$92,953	\$175,294
Plus: Investment Tax Credit			0	0	0	0	0	0	0
Plus: Federal Income Taxes			22,574,035	16,322,093	3,993,840	98,957	117,878	706,488	1,334,780
Plus: Property Taxes			\$0	0	0	0	0	0	0
Less: Deferred State Tax Flowback			\$223,630	\$161,960	\$39,320	\$980	\$1,162	\$7,008	\$13,200
Total Amount to Calculate State Taxes			\$80,005,610	\$57,816,938	\$14,977,426	\$312,014	\$481,811	\$2,224,033	\$4,193,389
State Tax Factor (Tax Rate/(1-Tax Rate))			9.2896%	9.2896%	9.2896%	9.2896%	9.2896%	9.2896%	9.2896%
State Income Taxes-Current and Deferred			\$7,432,215	\$5,370,972	\$1,391,346	\$28,985	\$44,758	\$206,604	\$389,550
Less: Deferred State Tax Flowback			\$223,630	\$161,960	\$39,320	\$980	\$1,162	\$7,008	\$13,200
State Income Tax Liability			\$7,655,845	\$5,532,932	\$1,430,666	\$29,965	\$45,920	\$213,612	\$402,750

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
JURC CAUSE NO. 43298
COST OF SERVICE STUDY
CALCULATION OF TAXES, NET OPERATING INCOME AND REVENUES
PROFORMA B EQUALIZED TAXES (Cont.)

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2
SCHEDULE 6
PAGE 6 OF 9

<u>NO.</u>	<u>ALLOCATION METHOD</u>	<u>TOTAL</u>	<u>Rate 210</u>	<u>Rate 220</u>	<u>Rate 225</u>	<u>Rate 240</u>	<u>Rate 245</u>	<u>Rate 260</u>
Utility Receipts Tax								
	Net Operating Income	66,639,741	48,262,533	11,717,035	292,136	346,146	2,088,348	3,933,543
	Plus: Operating & Maintenance Expenses	\$114,982,497	\$95,908,064	\$13,559,262	\$306,646	\$183,031	\$1,582,799	\$3,442,695
	Plus: Gas Costs (Rate 70 + UAFC)	\$578,652,382	\$399,635,111	\$170,859,526	\$4,003	\$7,986,008	\$43,477	\$124,257
	Plus: Depreciation and Amortization Expenses	\$50,435,116	\$37,954,444	\$7,838,133	\$195,058	\$275,474	\$1,599,745	\$2,572,262
	Plus: Investment Tax Credit	0	0	0	0	0	0	0
100	Gross Plant	22,574,035	16,322,093	3,993,840	98,957	117,878	706,488	1,334,780
	Plus: Federal Income Taxes	10,117,719	7,458,529	1,640,393	45,930	46,727	323,477	602,662
	Plus: State Income Taxes	7,655,845	5,532,932	1,430,666	29,965	45,920	213,612	402,750
	Plus: Other Taxes	0	0	0	0	0	0	0
117	O&M Without Gas Costs (P/F B)	0	0	0	0	0	0	0
10	Uncollectibles Analysis	(7,853,571)	(7,361,896)	(410,333)	(2,723)	0	(11,399)	(67,219)
122	P/F A Equalized Rev. w/ Misc. Rev	(1,000)	(718)	(252)	(1)	(11)	(7)	(12)
	Total Amount to Calculate Utility Receipts Tax	\$843,202,765	\$603,711,092	\$210,628,271	\$969,971	\$9,001,173	\$6,546,540	\$12,345,717
	Utility Receipts Tax Factor (Tax Rate/(1-Tax Rate))	1.4199%	1.4199%	1.4199%	1.4199%	1.4199%	1.4199%	1.4199%
	Utility Receipts Taxes	\$11,972,453	\$8,571,963	\$2,990,665	\$13,772	\$127,806	\$92,953	\$175,294

DERIVATION OF PROFORMA B EQUALIZED REVENUES

Net Operating Income	66,639,741	48,262,533	11,717,035	292,136	346,146	2,088,348	3,933,543
Plus: Operating & Maintenance Expenses	\$114,982,497	\$95,908,064	\$13,559,262	\$306,646	\$183,031	\$1,582,799	\$3,442,695
Plus: Gas Costs	578,652,382	399,635,111	170,859,526	4,003	7,986,008	43,477	124,257
Plus: Depreciation and Amortization Expenses	\$50,435,116	\$37,954,444	\$7,838,133	\$195,058	\$275,474	\$1,599,745	\$2,572,262
Plus: Federal Income Taxes	22,574,035	16,322,093	3,993,840	98,957	117,878	706,488	1,334,780
Plus: State Income Taxes	7,655,845	5,532,932	1,430,666	29,965	45,920	213,612	402,750
Plus: Utility Receipts Taxes	11,972,453	8,571,963	2,990,665	13,772	127,806	92,953	175,294
Plus: Property Taxes	10,117,719	7,458,529	1,640,393	45,930	46,727	323,477	602,662
Plus Other Taxes	0	0	0	0	0	0	0
Plus: Investment Tax Credit	0	0	0	0	0	0	0
Proforma B Equalized Revenues w/Misc. Rev	\$863,029,789	\$619,645,669	\$214,029,521	\$986,467	\$9,128,990	\$6,650,899	\$12,588,243

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298

COST OF SERVICE STUDY
CALCULATION OF TAXES, NET OPERATING INCOME AND REVENUES
PROFORMA B NORMALIZED TAXES

PETITIONER'S EXHIBIT KAH-2
SCHEDULE 6
PAGE 7 OF 9

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

NO.	ALLOCATION METHOD	TOTAL	Rate 210	Rate 220	Rate 225	Rate 240	Rate 245	Rate 260
SUBSIDY REDUCTION								
	Proforma A Normalized Revenues w/Misc. Rev.	\$821,888,922	\$570,000,458	\$220,707,600	\$1,495,411	\$9,001,943	\$8,376,822	\$12,306,887
	Less: Proforma A Equalized Revenues w/Misc. Rev.	821,888,922	589,800,625	206,841,807	806,563	8,917,074	5,365,952	10,156,901
	Proforma A Subsidy	(\$0)	(\$19,800,167)	\$13,865,793	\$688,848	\$84,869	\$3,010,870	\$2,149,986
	Proposed Subsidy Reduction Percentage		47.82%	50.00%	25.54%	50.00%	41.24%	50.00%
TAX CALCULATIONS								
	Proforma B Subsidy	(\$0)	(\$10,332,472)	\$6,932,897	\$512,946	\$42,435	\$1,769,201	\$1,074,993
	Proforma B Equalized Revenues w/Misc. Rev.	\$863,029,789	\$619,645,669	\$214,029,521	\$986,467	\$9,128,990	\$6,650,899	\$12,588,243
	Proforma B Normalized Revenues w/Misc. Rev.	\$863,029,788	\$609,313,197	\$220,962,417	\$1,499,414	\$9,171,424	\$8,420,099	\$13,663,236
TAX CALCULATIONS								
	Utility Receipts Taxes	\$863,029,788	\$609,313,197	\$220,962,417	\$1,499,414	\$9,171,424	\$8,420,099	\$13,663,236
	Less: Uncollectible Expense	(\$7,853,571)	(\$7,361,896)	(\$410,333)	(\$2,723)	\$0	(\$11,399)	(\$67,219)
	Less: Statutory Exemption	(\$1,000)	(\$706)	(\$266)	(\$2)	(\$11)	(\$10)	(\$16)
	Income for Utility Receipts Taxes	\$855,175,217	\$601,950,595	\$220,551,828	\$1,496,689	\$9,171,414	\$8,408,691	\$13,596,001
	Utility Receipts Tax Rate	1.40%	1.40%	1.40%	1.40%	1.40%	1.40%	1.40%
	Utility Receipts Taxes	\$11,972,453	\$8,427,308	\$3,087,726	\$20,954	\$128,400	\$117,722	\$190,344
State Income Taxes								
	Total Proforma B Normal Revenues	\$863,029,788	\$609,313,197	\$220,962,417	\$1,499,414	\$9,171,424	\$8,420,099	\$13,663,236
	Less: Operation and Maintenance Expenses	(\$114,982,497)	(\$95,908,064)	(\$13,559,262)	(\$306,646)	(\$183,031)	(\$1,582,799)	(\$3,442,695)
	Less: Gas Costs	(\$578,652,382)	(\$399,635,111)	(\$170,859,526)	(\$4,003)	(\$7,986,008)	(\$43,477)	(\$124,257)
	Less: Depreciation Expense	(\$50,435,116)	(\$37,954,444)	(\$7,838,133)	(\$195,058)	(\$275,474)	(\$1,599,745)	(\$2,572,262)
	Less: Property Taxes	(\$10,117,719)	(\$7,458,529)	(\$1,640,393)	(\$45,930)	(\$46,727)	(\$323,477)	(\$602,662)
	Less: Other Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Less: Utility Receipts Tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Less: Interest Expense	(\$21,976,095)	(\$15,915,758)	(\$3,863,981)	(\$96,339)	(\$114,150)	(\$688,884)	(\$1,297,183)
	Less: Non-Deductible Expenses	\$571,846	\$414,148	\$100,546	\$2,507	\$2,970	\$17,920	\$33,754
	Income for State Income Taxes	\$87,437,825	\$52,855,439	\$23,301,668	\$853,945	\$569,005	\$4,199,837	\$5,657,932
	State Income Tax Rate	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%
	State Income Taxes	\$7,432,215	\$4,492,712	\$1,980,642	\$72,585	\$48,365	\$356,986	\$480,924
	State Income Taxes Before Flowback	\$223,630	\$161,960	\$39,320	\$980	\$1,162	\$7,008	\$13,200
	Less: Deferred State Tax Flowback	\$7,655,845	\$4,654,672	\$2,019,962	\$73,566	\$49,527	\$363,994	\$494,124
	Total State Income Tax Liability							

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
COST OF SERVICE STUDY
CALCULATION OF TAXES, NET OPERATING INCOME AND REVENUES
PROFORMA B NORMALIZED TAXES (Cont.)

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2
SCHEDULE 6
PAGE 8 OF 9

	<u>NO.</u>	<u>ALLOCATION METHOD</u>	<u>TOTAL</u>	<u>Rate 210</u>	<u>Rate 220</u>	<u>Rate 225</u>	<u>Rate 240</u>	<u>Rate 245</u>	<u>Rate 260</u>
<u>Federal Income taxes</u>									
Total Proforma B Normal Revenues			\$863,029,788	\$609,313,197	\$220,962,417	\$1,499,414	\$9,171,424	\$8,420,099	\$13,663,236
Less: Operation and Maintenance Expenses			(114,982,497)	(95,908,064)	(13,559,262)	(306,646)	(183,031)	(1,582,799)	(3,442,695)
Less: Gas Costs			(578,652,382)	(399,635,111)	(170,859,526)	(4,003)	(7,986,008)	(43,477)	(124,257)
Less: Depreciation Expense			(50,435,116)	(37,954,444)	(7,838,133)	(195,058)	(275,474)	(1,599,745)	(2,572,262)
Less: Other Taxes			0	0	0	0	0	0	0
Less: Property Taxes	100	Gross Plant	(10,117,719)	(7,458,529)	(1,640,393)	(45,930)	(46,727)	(323,477)	(602,662)
Less: Utility Receipts Taxes			(11,972,453)	(8,427,308)	(3,087,726)	(20,954)	(128,400)	(117,722)	(190,344)
Less: Interest Expense	102	Original Cost Rate Base	(21,976,095)	(15,915,758)	(3,863,981)	(96,339)	(114,150)	(688,684)	(1,297,183)
Less: Non-Deductible Expenses			274,346	198,690	48,237	1,203	1,425	8,597	16,194
Less: State Income taxes			(7,432,215)	(4,492,712)	(1,980,642)	(72,585)	(48,365)	(356,986)	(480,924)
Income for Federal Income Taxes			\$67,735,657	\$39,719,959	\$18,180,992	\$759,102	\$390,694	\$3,715,807	\$4,969,103
Federal Income Tax Rate			35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
Federal Income Taxes			\$23,707,480	\$13,901,986	\$6,363,347	\$265,686	\$136,743	\$1,300,532	\$1,739,186
Less: Investment Tax Credit	100	Gross Plant	(814,109)	(600,141)	(131,992)	(3,696)	(3,760)	(26,028)	(48,492)
Less: Deferred Federal Tax Flowback	120	Total Depreciation Expenses	(319,336)	(240,313)	(49,628)	(1,235)	(1,744)	(10,129)	(16,287)
Total Federal Income Tax Liability			\$22,574,035	\$13,061,532	\$6,181,727	\$260,755	\$131,239	\$1,264,375	\$1,674,407
<u>Net Operating Income</u>									
Total Proforma B Normal Revenues w/Misc. Rev.			\$863,029,788	\$609,313,197	\$220,962,417	\$1,499,414	\$9,171,424	\$8,420,099	\$13,663,236
Less: Operation and Maintenance Expenses			(114,982,497)	(95,908,064)	(13,559,262)	(306,646)	(183,031)	(1,582,799)	(3,442,695)
Less: Gas Costs			(578,652,382)	(399,635,111)	(170,859,526)	(4,003)	(7,986,008)	(43,477)	(124,257)
Less: Depreciation Expense			(50,435,116)	(37,954,444)	(7,838,133)	(195,058)	(275,474)	(1,599,745)	(2,572,262)
Less: Other Taxes			0	0	0	0	0	0	0
Less: Utility Receipts Taxes			(11,972,453)	(8,427,308)	(3,087,726)	(20,954)	(128,400)	(117,722)	(190,344)
Less: Property Taxes			(10,117,719)	(7,458,529)	(1,640,393)	(45,930)	(46,727)	(323,477)	(602,662)
Less: State Income Taxes			(7,655,845)	(4,654,672)	(2,019,962)	(73,566)	(49,527)	(363,994)	(494,124)
Less: Total Federal Income Tax Liability			(22,574,035)	(13,061,532)	(6,181,727)	(260,755)	(131,239)	(1,264,375)	(1,674,407)
Net Operating Income			\$66,639,741	\$42,213,536	\$15,775,688	\$592,503	\$371,019	\$3,124,510	\$4,562,485
<u>Total Rate Base</u>									
Total Rate Base			\$790,507,010	\$572,509,283	\$138,992,117	\$3,465,435	\$4,106,119	\$24,772,809	\$46,661,247
Rate of Return			8.43%	7.37%	11.35%	17.10%	9.04%	12.61%	9.78%

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
COST OF SERVICE STUDY
SUMMARY OF PROFORMA REVENUES

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2
SCHEDULE 6
PAGE 9 OF 9

Proforma A Normalized Revenues

Proforma A Normalized Revenues w/o Misc. Rev.
Proforma A Normalized Miscellaneous Revenues
Total Proforma A Normalized Revenues w/Misc. Rev

<u>NO.</u>	<u>ALLOCATION METHOD</u>	<u>TOTAL</u>	<u>Rate 210</u>	<u>Rate 220</u>	<u>Rate 225</u>	<u>Rate 240</u>	<u>Rate 245</u>	<u>Rate 260</u>
		\$807,801,984	\$559,900,057	\$217,574,994	\$1,443,940	\$8,936,124	\$8,080,355	\$11,866,515
		14,086,939	10,100,401	3,132,607	51,471	65,819	296,268	440,373
		<u>\$821,888,922</u>	<u>\$570,000,458</u>	<u>\$220,707,600</u>	<u>\$1,495,411</u>	<u>\$9,001,943</u>	<u>\$8,376,622</u>	<u>\$12,306,887</u>

Proforma A Equalized Revenues

Proforma A Equalized Revenues w/o Misc. Rev.
Proforma A Equalized Miscellaneous Revenues
Total Proforma A Equalized Revenues w/Misc. Rev

		\$807,801,984	\$579,700,223	\$203,709,201	\$755,092	\$8,851,255	\$5,069,684	\$9,716,529
		14,086,939	10,100,401	3,132,607	51,471	65,819	296,268	440,373
		<u>\$821,888,922</u>	<u>\$589,800,625</u>	<u>\$206,841,807</u>	<u>\$806,563</u>	<u>\$8,917,074</u>	<u>\$5,365,952</u>	<u>\$10,156,901</u>

Proforma B Equalized Revenues

Proforma B Equalized Revenues w/o Misc. Rev.
Proforma B Equalized Miscellaneous Revenues
Total Proforma B Equalized Revenues w/Misc. Rev

		\$848,942,850	\$609,545,268	\$210,896,914	\$934,996	\$9,063,170	\$6,354,631	\$12,147,871
		14,086,939	10,100,401	3,132,607	51,471	65,819	296,268	440,373
		<u>\$863,029,789</u>	<u>\$619,645,669</u>	<u>\$214,029,521</u>	<u>\$986,467</u>	<u>\$9,128,990</u>	<u>\$6,650,899</u>	<u>\$12,588,243</u>

Proforma B Normalized Revenues

Proforma B Normalized Revenues w/o Misc. Rev.
Proforma B Normalized Miscellaneous Revenues
Total Proforma B Normalized Revenues w/Misc. Rev

		\$848,942,850	\$599,212,796	\$217,829,811	\$1,447,943	\$9,105,605	\$8,123,832	\$13,222,863
		14,086,939	10,100,401	3,132,607	51,471	65,819	296,268	440,373
		<u>\$863,029,788</u>	<u>\$609,313,197</u>	<u>\$220,962,417</u>	<u>\$1,499,414</u>	<u>\$9,171,424</u>	<u>\$8,420,099</u>	<u>\$13,663,236</u>

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
COST OF SERVICE STUDY
NORMALIZED COST OF SERVICE AT PRESENT RATES

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2
SCHEDULE 7
PAGE 2 OF 4

	<u>TOTAL</u>	<u>Rate 210</u>	<u>Rate 220</u>	<u>Rate 225</u>	<u>Rate 240</u>	<u>Rate 245</u>	<u>Rate 260</u>
OPERATING REVENUES:							
Revenue from Gas Sales	\$807,801,984	\$559,900,057	\$217,574,994	\$1,443,940	\$8,936,124	\$8,080,355	\$11,866,515
Miscellaneous Revenues	<u>14,086,939</u>	<u>10,100,401</u>	<u>3,132,607</u>	<u>51,471</u>	<u>65,819</u>	<u>296,268</u>	<u>440,373</u>
Total Operating Revenues	<u>\$821,888,922</u>	<u>\$570,000,458</u>	<u>\$220,707,600</u>	<u>\$1,495,411</u>	<u>\$9,001,943</u>	<u>\$8,376,622</u>	<u>\$12,306,887</u>
OPERATING EXPENSES							
Cost of Gas							
Proforma Cost of Gas (GCA)	\$575,050,962	\$397,266,861	\$169,847,026	\$0	\$7,937,075	\$0	\$0
Storage Related Company Use (GCA)	\$596,807	\$386,440	\$165,215	\$866	\$7,985	\$9,409	\$26,891
Distribution Related Company Use (GCA)	\$432,170	\$205,498	\$87,857	\$3,136	\$4,246	\$34,068	\$97,366
UAFG-Other (Base Rates)	\$2,572,443	\$1,776,313	\$759,428	\$0	\$36,702	\$0	\$0
Total Manufactured Gas Production Expenses	\$333,628	\$240,253	\$92,342	\$0	\$1,033	\$0	\$0
Total Underground Storage Expense	\$1,619,918	\$1,074,367	\$430,908	\$2,351	\$13,760	\$25,540	\$72,992
Total Distribution Expenses							
Measuring and Regulating Equipment	\$1,248,627	\$852,640	\$202,069	\$9,068	\$4,661	\$53,557	\$126,632
Mains and Services	\$16,245,960	\$12,431,827	\$2,248,206	\$81,540	\$39,078	\$437,557	\$1,007,752
Meter, Meter Installation and House Regulator	\$1,788,701	\$1,198,983	\$493,934	\$4,680	\$9,719	\$44,302	\$37,083
Customer Installation Expenses	\$7,282,901	\$6,633,544	\$632,634	\$5,994	\$1,296	\$7,208	\$2,224
Structures and Improvements	\$2,859,685	\$1,952,768	\$462,792	\$20,769	\$10,676	\$122,659	\$290,021
Supervision and Engineering	\$5,571,133	\$4,367,745	\$764,815	\$23,108	\$12,388	\$125,957	\$277,121
Other Distribution	\$5,910,588	\$4,633,876	\$811,416	\$24,516	\$13,142	\$133,631	\$294,007
Total Customer Accounts Expenses (Excl. Uncoll.)	\$18,059,991	\$16,449,730	\$1,568,794	\$14,864	\$3,213	\$17,874	\$5,516
Uncollectibles	\$7,479,189	\$7,010,952	\$390,773	\$2,593	\$0	\$10,856	\$64,015
Total Customer Service Expenses	\$1,430,881	\$1,303,301	\$124,294	\$1,178	\$255	\$1,416	\$437
Total Sales Expenses	\$3,703,303	\$3,088,836	\$437,410	\$9,868	\$5,904	\$50,883	\$110,403
Administrative and General	\$41,028,355	\$34,315,289	\$4,871,040	\$104,743	\$67,512	\$542,634	\$1,127,136
Total Depreciation and Amortization Expens	\$50,435,116	37,954,444	7,838,133	195,058	275,474	1,599,745	2,572,262
Property Taxes							
Utility Receipts Taxes	10,117,719	7,458,529	1,640,393	45,930	46,727	323,477	602,662
State Income Taxes	11,401,722	7,881,843	3,084,432	20,899	126,027	117,121	171,400
Federal Income Taxes	4,194,541	1,349,506	1,996,103	73,227	35,215	361,126	379,365
	<u>9,732,817</u>	<u>775,893</u>	<u>6,110,189</u>	<u>259,932</u>	<u>77,920</u>	<u>1,253,456</u>	<u>1,255,428</u>
Total Operating Expenses	<u>\$779,097,157</u>	<u>\$550,609,440</u>	<u>\$205,060,203</u>	<u>\$904,321</u>	<u>\$8,730,006</u>	<u>\$5,272,476</u>	<u>\$8,520,713</u>
Net Operating Income	<u>\$42,791,765</u>	<u>\$19,391,018</u>	<u>\$15,647,398</u>	<u>\$591,090</u>	<u>\$271,937</u>	<u>\$3,104,147</u>	<u>\$3,786,175</u>
Total Rate Base	\$790,507,010	\$572,509,283	\$138,992,117	\$3,465,435	\$4,106,119	\$24,772,809	\$46,661,247
Rate of Return	<u>5.41%</u>	<u>3.39%</u>	<u>11.26%</u>	<u>17.06%</u>	<u>6.62%</u>	<u>12.53%</u>	<u>8.11%</u>

**VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
COST OF SERVICE STUDY
EQUALIZED COST OF SERVICE AT PROPOSED RATES**

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

**PETITIONER'S EXHIBIT KAH-2
SCHEDULE 7
PAGE 3 OF 4**

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VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
COST OF SERVICE STUDY
NORMALIZED COST OF SERVICE AT PROPOSED RATES

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2
SCHEDULE 7
PAGE 4 OF 4

	<u>TOTAL</u>	<u>Rate 210</u>	<u>Rate 220</u>	<u>Rate 225</u>	<u>Rate 240</u>	<u>Rate 245</u>	<u>Rate 260</u>
OPERATING REVENUES:							
Revenue from Gas Sales	\$848,942,850	\$599,212,796	\$217,829,811	\$1,447,943	\$9,105,605	\$8,123,832	\$13,222,863
Miscellaneous Revenues	<u>14,086,939</u>	<u>10,100,401</u>	<u>3,132,607</u>	<u>51,471</u>	<u>65,819</u>	<u>296,268</u>	<u>440,373</u>
Total Operating Revenues	<u>\$863,029,788</u>	<u>\$609,313,197</u>	<u>\$220,962,417</u>	<u>\$1,499,414</u>	<u>\$9,171,424</u>	<u>\$8,420,099</u>	<u>\$13,663,236</u>
OPERATING EXPENSES							
Cost of Gas							
Proforma Cost of Gas (GCA)	\$575,050,962	\$397,266,861	\$169,847,026	\$0	\$7,937,075	\$0	\$0
Storage Related Company Use (GCA)	\$596,807	\$386,440	\$165,215	\$866	\$7,985	\$9,409	\$26,891
Distribution Related Company Use (GCA)	\$432,170	\$205,498	\$87,857	\$3,136	\$4,246	\$34,068	\$97,366
UAFG-Other (Base Rates)	\$2,572,443	\$1,776,313	\$759,428	\$0	\$36,702	\$0	\$0
Total Manufactured Gas Production Expenses	\$333,628	\$240,253	\$92,342	\$0	\$1,033	\$0	\$0
Total Underground Storage Expense	\$1,619,918	\$1,074,367	\$430,908	\$2,351	\$13,760	\$25,540	\$72,992
Total Distribution Expenses							
Measuring and Regulating Equipment	\$1,248,627	\$852,640	\$202,069	\$9,068	\$4,661	\$53,557	\$126,632
Mains and Services	\$16,245,960	\$12,431,827	\$2,248,206	\$81,540	\$39,078	\$437,557	\$1,007,752
Meter, Meter Installation and House Regulator	\$1,788,701	\$1,198,983	\$493,934	\$4,680	\$9,719	\$44,302	\$37,083
Customer Installation Expenses	\$7,282,901	\$6,633,544	\$632,634	\$5,994	\$1,296	\$7,208	\$2,224
Structures and Improvements	\$2,859,685	\$1,952,768	\$462,792	\$20,769	\$10,676	\$122,659	\$290,021
Supervision and Engineering	\$5,571,133	\$4,367,745	\$764,815	\$23,108	\$12,388	\$125,957	\$277,121
Other Distribution	\$5,910,588	\$4,633,876	\$811,416	\$24,516	\$13,142	\$133,631	\$294,007
Total Customer Accounts Expenses (Excl. Uncoll.)	\$18,059,991	\$16,449,730	\$1,568,794	\$14,864	\$3,213	\$17,874	\$5,516
Uncollectibles	\$7,853,571	\$7,361,896	\$410,333	\$2,723	\$0	\$11,399	\$67,219
Total Customer Service Expenses	\$1,430,881	\$1,303,301	\$124,294	\$1,178	\$255	\$1,416	\$437
Total Sales Expenses	\$3,703,303	\$3,078,359	\$438,294	\$10,207	\$6,001	\$53,163	\$117,280
Administrative and General	\$41,073,610	\$34,328,774	\$4,878,431	\$105,648	\$67,810	\$548,536	\$1,144,411
Total Depreciation and Amortization Expens							
	50,435,116	37,954,444	7,838,133	195,058	275,474	1,599,745	2,572,262
Property Taxes							
	10,117,719	7,458,529	1,640,393	45,930	46,727	323,477	602,662
Utility Receipts Taxes	11,972,453	8,427,308	3,087,726	20,954	128,400	117,722	190,344
State Income Taxes	7,655,845	4,654,672	2,019,962	73,566	49,527	363,994	494,124
Federal Income Taxes	<u>22,574,035</u>	<u>13,061,532</u>	<u>6,181,727</u>	<u>260,755</u>	<u>131,239</u>	<u>1,264,375</u>	<u>1,674,407</u>
Total Operating Expenses	<u>\$796,390,047</u>	<u>\$567,099,661</u>	<u>\$205,186,729</u>	<u>\$906,911</u>	<u>\$8,800,406</u>	<u>\$5,295,589</u>	<u>\$9,100,752</u>
Net Operating Income	<u>\$66,639,741</u>	<u>\$42,213,536</u>	<u>\$15,775,688</u>	<u>\$592,503</u>	<u>\$371,019</u>	<u>\$3,124,510</u>	<u>\$4,562,485</u>
Total Rate Base	\$790,507,010	\$572,509,283	\$138,992,117	\$3,465,435	\$4,106,119	\$24,772,809	\$46,661,247
Rate of Return	<u>8.43%</u>	<u>7.37%</u>	<u>11.35%</u>	<u>17.10%</u>	<u>9.04%</u>	<u>12.61%</u>	<u>9.78%</u>

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
COST OF SERVICE STUDY
STATEMENT OF OPERATING INCOME BASED UPON PROFORMA A REVENUES
AT PRESENT RATES OF RETURN

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-3
SCHEDULE 1

<u>Line No.</u>	<u>Description</u> (Column A)	<u>Total</u> (B)	<u>Rate 210</u> (C)	<u>Rate 220</u> (D)	<u>Rate 225</u> (E)	<u>Rate 240</u> (F)	<u>Rate 245</u> (G)	<u>Rate 260</u> (H)
<u>Operating Revenues</u>								
1	Revenues From Gas Sales	\$807,801,984	\$559,900,057	\$217,574,994	\$1,443,940	\$8,936,124	\$8,080,355	\$11,866,515
2	Miscellaneous Revenues	<u>\$14,086,939</u>	<u>\$10,100,401</u>	<u>\$3,132,607</u>	<u>\$51,471</u>	<u>\$65,819</u>	<u>\$296,268</u>	<u>\$440,373</u>
3	Total	\$821,888,922	\$570,000,458	\$220,707,600	\$1,495,411	\$9,001,943	<u>\$8,376,622</u>	<u>\$12,306,887</u>
<u>Operating Expenses</u>								
4	Operation and Maintenance	\$693,215,242	\$495,189,224	\$184,390,953	\$309,275	\$8,168,644	\$1,617,551	\$3,539,596
5	Depreciation and Amortization	50,435,116	37,954,444	7,838,133	195,058	275,474	1,599,745	2,572,262
6	Federal Income Taxes	9,732,817	775,893	6,110,189	259,932	77,920	1,253,456	1,255,428
7	State Income Taxes	4,194,541	1,349,506	1,996,103	73,227	35,215	361,126	379,365
8	Taxes Other Than Income Taxes	<u>21,519,442</u>	<u>15,340,373</u>	<u>4,724,825</u>	<u>66,829</u>	<u>172,754</u>	<u>440,598</u>	<u>774,062</u>
9	Total	\$779,097,157	\$550,609,440	\$205,060,203	\$904,321	\$8,730,006	<u>\$5,272,476</u>	<u>\$8,520,713</u>
10	Net Operating Income	<u>\$42,791,765</u>	<u>\$19,391,018</u>	<u>\$15,647,398</u>	<u>\$591,090</u>	<u>\$271,937</u>	<u>\$3,104,147</u>	<u>\$3,786,175</u>
11	Original Cost Rate Base	<u>\$790,507,010</u>	<u>\$572,509,283</u>	<u>\$138,992,117</u>	<u>\$3,465,435</u>	<u>\$4,106,119</u>	<u>\$24,772,809</u>	<u>\$46,661,247</u>
12	Rate Of Return On Original Cost Rate Base	5.41%	3.39%	11.26%	17.06%	6.62%	12.53%	8.11%
13	Earnings Index	100%	63%	208%	315%	122%	231%	150%

**VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
COST OF SERVICE STUDY**

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-3
SCHEDULE 2

[illegible]

AT EQUALIZED RATES OF RETURN

SCHEDULE 3

[illegible]

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
COST OF SERVICE STUDY
STATEMENT OF OPERATING INCOME BASED UPON PROFORMA B REVENUES
AT PROPOSED RATES OF RETURN

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-3
SCHEDULE 4

<u>Line No.</u>	<u>Description</u> (Column A)	<u>Total</u> (B)	<u>Rate 210</u> (C)	<u>Rate 220</u> (D)	<u>Rate 225</u> (E)	<u>Rate 240</u> (F)	<u>Rate 245</u> (G)	<u>Rate 260</u> (H)
<u>Operating Revenues</u>								
1	Revenues From Gas Sales	\$848,942,850	\$599,212,796	\$217,829,811	\$1,447,943	\$9,105,605	\$8,123,832	\$13,222,863
2	Miscellaneous Revenues	<u>\$14,086,939</u>	<u>\$10,100,401</u>	<u>\$3,132,607</u>	<u>\$51,471</u>	<u>\$65,819</u>	<u>\$296,268</u>	<u>\$440,373</u>
3	Total	<u>\$863,029,788</u>	<u>\$609,313,197</u>	<u>\$220,962,417</u>	<u>\$1,499,414</u>	<u>\$9,171,424</u>	<u>\$8,420,099</u>	<u>\$13,663,236</u>
<u>Operating Expenses</u>								
4	Operation and Maintenance	\$693,634,879	\$495,543,175	\$184,418,788	\$310,649	\$8,169,039	\$1,626,276	\$3,566,952
5	Depreciation and Amortization	50,435,116	37,954,444	7,838,133	195,058	275,474	1,599,745	2,572,262
6	Federal Income Taxes	22,574,035	13,061,532	6,181,727	260,755	131,239	1,264,375	1,674,407
7	State Income Taxes	7,655,845	4,654,672	2,019,962	73,566	49,527	363,994	494,124
8	Taxes Other Than Income Taxes	<u>22,090,172</u>	<u>15,885,838</u>	<u>4,728,119</u>	<u>66,883</u>	<u>175,127</u>	<u>441,199</u>	<u>793,006</u>
9	Total	<u>\$796,390,047</u>	<u>\$567,099,661</u>	<u>\$205,186,729</u>	<u>\$906,911</u>	<u>\$8,800,406</u>	<u>\$5,295,589</u>	<u>\$9,100,752</u>
10	Net Operating Income	<u>\$66,639,741</u>	<u>\$42,213,536</u>	<u>\$15,775,688</u>	<u>\$592,503</u>	<u>\$371,019</u>	<u>\$3,124,510</u>	<u>\$4,562,485</u>
11	Original Cost Rate Base	<u>\$790,507,010</u>	<u>\$572,509,283</u>	<u>\$138,992,117</u>	<u>\$3,465,435</u>	<u>\$4,106,119</u>	<u>\$24,772,809</u>	<u>\$46,661,247</u>
12	Rate Of Return On Original Cost Rate Base	8.43%	7.37%	11.35%	17.10%	9.04%	12.61%	9.78%
13	Earnings Index	100%	87%	135%	203%	107%	150%	116%

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
COST OF SERVICE STUDY
COMPARISON OF PROFORMA OPERATING REVENUES AND RESULTING DOLLAR SUBSIDY
LEVELS AT PRESENT AND PROPOSED RATES

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-4
SCHEDULE 1

Line No.	Rate Schedule (A)	PROFORMA REVENUES - PRESENT RATES			PROFORMA REVENUES - PROPOSED RATES				
		Revenues At Present Rates (B)	Revenues Required For Equalized Returns (C)	Present Subsidy (D)	Revenues Required For Equalized Returns (E)	Revenues At Proposed Rates (F)	Proposed Subsidy (G)	Subsidy Reduction	
								Amount (H)	Percentage (I)
1	Rate 210	\$570,000,458	\$589,800,625	(\$19,800,167)	\$619,645,669	\$609,313,197	(\$10,332,472)	(\$9,467,695)	47.82%
2	Rate 220	\$220,707,600	\$206,841,807	\$13,865,793	\$214,029,521	\$220,962,417	\$6,932,897	\$6,932,897	50.00%
3	Rate 225	\$1,495,411	\$806,563	\$688,848	\$986,467	\$1,499,414	\$512,946	\$175,901	25.54%
4	Rate 240	\$9,001,943	\$8,917,074	\$84,869	\$9,128,990	\$9,171,424	\$42,435	\$42,435	50.00%
5	Rate 245	\$8,376,622	\$5,365,952	\$3,010,670	\$6,650,899	\$8,420,099	\$1,769,201	\$1,241,470	41.24%
6	Rate 260	\$12,306,887	\$10,156,901	\$2,149,986	\$12,588,243	\$13,663,236	\$1,074,993	\$1,074,993	50.00%
7	Total	\$821,888,922	\$821,888,922	(\$0)	\$863,029,789	\$863,029,788	(\$1)	\$0	

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
COST OF SERVICE STUDY
COMPARISON OF EARNINGS INDICES AT PRESENT AND PROPOSED RATES

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-4
SCHEDULE 2

<u>Line No.</u>	<u>Rate Schedule (A)</u>	<u>PRESENT RATES</u>		<u>PROPOSED RATES</u>	
		<u>Present Rates of Return (B)</u>	<u>Present Earnings Index (C)</u>	<u>Proposed Rates of Return (D)</u>	<u>Proposed Earnings Index (E)</u>
1	Rate 210	3.39%	63%	7.37%	87%
2	Rate 220	11.26%	208%	11.35%	135%
3	Rate 225	17.06%	315%	17.10%	203%
4	Rate 240	6.62%	122%	9.04%	107%
5	Rate 245	12.53%	231%	12.61%	150%
6	Rate 260	8.11%	150%	9.78%	116%
7	Total	5.41%	100%	8.43%	100%

VECTREN ENERGY DELIVERY OF INDIANA - NORTH

IURC CAUSE NO. 43298

COST OF SERVICE STUDY

COMPARISON OF GAS SALES REVENUES AT PRESENT AND PROPOSED RATES

DATA: 12 MONTHS ENDED DECEMBER 31, 2006

PETITIONER'S EXHIBIT KAH-5

TYPE OF FILING: CASE-IN-CHIEF

SCHEDULE 1

WITNESS: HEID

GAS SALES REVENUES

<u>Line No.</u>	<u>Rate Schedule</u> (A)	<u>Revenues At Present Rates</u> (B)	<u>Revenues At Proposed Rates</u> (C)	<u>Increase or (Decrease)</u>	
				<u>Amount</u> (D)	<u>Percentage</u> (E)
1	Rate 210	\$559,900,057	\$599,212,796	\$39,312,739	7.02%
2	Rate 220	\$217,574,994	\$217,829,811	\$254,817	0.12%
3	Rate 225	\$1,443,940	\$1,447,943	\$4,003	0.28%
4	Rate 240	\$8,936,124	\$9,105,605	\$169,481	1.90%
5	Rate 245	\$8,080,355	\$8,123,832	\$43,477	0.54%
6	Rate 260	\$11,866,515	\$13,222,863	\$1,356,349	11.43%
7	Total	\$807,801,984	\$848,942,849	\$41,140,866	5.09%

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
COST OF SERVICE STUDY
COMPARISON OF REVENUES AT PRESENT AND PROPOSED RATES

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-5
SCHEDULE 2
PAGE 1 OF 4

<u>DESCRIPTION</u>	<u>Number of Bills (1)</u>	<u>Billing Quantities (therms) (2)</u>	<u>Present Rates (\$/therm) (3)</u>	<u>Annual GCA (\$/therm) (4)</u>	<u>Annual PSA (\$/therm) (5)</u>	<u>Annual EEFC (\$/therm) (6)</u>	<u>Effective Present Rates (\$/therm) (7)</u>	<u>Revenue at Present Rates (8)</u>
<u>RATE 210 - RESIDENTIAL SALES SERVICE</u>								
Customer Facilities Charge	6,077,774		\$11.00				\$11.00	\$66,855,514
First 45 Therms		199,874,621	\$0.2395	\$0.9160	\$0.0014	\$0.0057	\$1.1627	\$232,392,586
Over 45 Therms		240,544,415	\$0.1604	\$0.9160	\$0.0014	\$0.0057	\$1.0836	\$260,651,959
Total Therms and Revenues	6,077,774	440,419,036						\$559,900,059
<u>RATE 220 - GENERAL SALES SERVICE</u>								
Customer Facilities Charge - Group 1	421,477		\$15.00				\$15.00	\$6,322,155
Customer Facilities Charge - Group 2	130,310		\$36.00				\$36.00	\$4,691,160
Customer Facilities Charge - Group 3	27,844		\$75.00				\$75.00	\$2,088,300
First 45 Therms		15,798,700	\$0.2362	\$0.9161	\$0.0009	\$0.0057	\$1.1589	\$18,309,474
Next 455 Therms		72,752,242	\$0.1604	\$0.9161	\$0.0009	\$0.0057	\$1.0831	\$78,799,613
Over 500 Therms		99,741,747	\$0.1537	\$0.9161	\$0.0009	\$0.0057	\$1.0764	\$107,364,291
Total Therms and Revenues	579,631	188,292,689						\$217,574,993
<u>RATE 225 - SCHOOL TRANSPORTATION SERVICE</u>								
Customer Facilities Charge - Group 1	166		\$22.50				\$22.50	\$3,735
Customer Facilities Charge - Group 2	2,651		\$43.50				\$43.50	\$115,319
Customer Facilities Charge - Group 3	2,675		\$82.50				\$82.50	\$220,688
First 45 Therms		196,514	\$0.2362		\$0.0009	\$0.0057	\$0.2429	\$47,727
Next 455 Therms		1,488,366	\$0.1604		\$0.0009	\$0.0057	\$0.1671	\$248,661
Over 500 Therms		5,037,167	\$0.1537		\$0.0009	\$0.0057	\$0.1604	\$807,810
Total Therms and Revenues	5,492	6,722,047						\$1,443,940

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
COST OF SERVICE STUDY
COMPARISON OF REVENUES AT PRESENT AND PROPOSED RATES

DATA: 12 MONTHS ENDED DECEMBER 31, 2011
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-5
SCHEDULE 2
PAGE 2 OF 4

<u>DESCRIPTION</u>	<u>Proposed Rates</u> <u>(\$/therm)</u> (9)	<u>Annual GCA</u> <u>(\$/therm)</u> (10)	<u>Company Use UAFC GCA</u> <u>(\$/therm)</u> (11)	<u>Annual PSA</u> <u>(\$/therm)</u> (12)	<u>Annual EEFC</u> <u>(\$/therm)</u> (13)	<u>Effective Proposed Rates</u> <u>(\$/therm)</u> (14)	<u>Revenue at Proposed Rates</u> <u>(\$)</u> (15)	<u>Increase in Revenues</u> <u>Amount</u> (16)	<u>Percent</u> (17)
<u>RATE 210 - RESIDENTIAL SALES SERVICE</u>									
Customer Facilities Charge	\$16.00					\$16.00	\$97,244,384	\$30,388,870	45.45%
First 45 Therms	\$0.2627	\$0.9160	\$0.0014	\$0.0014	\$0.0057	\$1.1873	\$237,302,490	\$4,909,904	2.11%
Over 45 Therms	\$0.1757	\$0.9160	\$0.0014	\$0.0014	\$0.0057	\$1.1003	\$264,660,612	\$4,008,653	1.54%
Total Therms and Revenues							\$599,207,486	\$39,307,427	7.02%
<u>RATE 220 - GENERAL SALES SERVICE</u>									
Customer Facilities Charge - Group 1	\$16.00					\$16.00	\$6,743,632	\$421,477	6.67%
Customer Facilities Charge - Group 2	\$36.00					\$36.00	\$4,691,160	\$0	0.00%
Customer Facilities Charge - Group 3	\$75.00					\$75.00	\$2,088,300	\$0	0.00%
First 45 Therms	\$0.2340	\$0.9161	\$0.0014	\$0.0009	\$0.0057	\$1.1581	\$18,296,281	(\$13,193)	-0.07%
Next 455 Therms	\$0.1583	\$0.9161	\$0.0014	\$0.0009	\$0.0057	\$1.0824	\$78,746,134	(\$53,479)	-0.07%
Over 500 Therms	\$0.1513	\$0.9161	\$0.0014	\$0.0009	\$0.0057	\$1.0754	\$107,261,050	(\$103,241)	-0.10%
Total Therms and Revenues							\$217,826,557	\$251,564	0.12%
<u>RATE 225 - SCHOOL TRANSPORTATION</u>									
Customer Facilities Charge - Group 1	\$22.50					\$22.50	\$3,735	\$0	0.00%
Customer Facilities Charge - Group 2	\$43.50					\$43.50	\$115,319	\$0	0.00%
Customer Facilities Charge - Group 3	\$82.50					\$82.50	\$220,688	\$0	0.00%
First 45 Therms	\$0.2362		\$0.0006	\$0.0009	\$0.0057	\$0.2435	\$47,846	\$119	0.25%
Next 455 Therms	\$0.1604		\$0.0006	\$0.0009	\$0.0057	\$0.1677	\$249,561	\$900	0.36%
Over 500 Therms	\$0.1537		\$0.0006	\$0.0009	\$0.0057	\$0.1610	\$810,856	\$3,046	0.38%
Total Therms and Revenues							\$1,448,005	\$4,065	0.28%

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

[illegible]

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
COST OF SERVICE STUDY
COMPARISON OF REVENUES AT PRESENT AND PROPOSED RATES

DATA: 12 MONTHS ENDED DECEMBER 31, 2011
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-5
SCHEDULE 2
PAGE 4 OF 4

DESCRIPTION	Proposed Rates (\$/therm) (9)	Annual GCA (\$/therm) (10)	Company Use UAFG GCA (\$/therm) (11)	Annual PSA (\$/therm) (12)	Annual EEFC (\$/therm) (13)	Effective Proposed Rates (\$/therm) (14)	Revenue at Proposed Rates (15)	Increase in Revenues Amount Percent (16) (17)	
<u>RATE 240 - INTERRUPTIBLE SALES:</u>									
Customer Facilities Charge	\$175.00					\$175.00	\$207,725	\$29,675	16.67%
First 2,500 Therms	\$0.1840	\$0.8858	\$0.0014	\$0.0004	\$0.0000	\$1.0716	\$1,644,280	\$47,668	2.99%
Over 2,500 Therms	\$0.0712	\$0.8858	\$0.0014	\$0.0004	\$0.0000	\$0.9588	\$7,253,495	\$92,033	1.29%
Total Therms and Revenues							\$9,105,500	\$169,376	1.90%
<u>RATE 245 - LARGE GENERAL TRANS:</u>									
Customer Facilities Charge	\$175.00					\$175.00	\$1,155,700	\$0	0.00%
First 2,500 Therms	\$0.1681		\$0.0006	\$0.001	\$0.000	\$0.169	\$2,450,628	\$8,745	0.36%
Over 2,500 Therms	\$0.0758		\$0.0006	\$0.001	\$0.000	\$0.077	\$4,518,179	\$35,408	0.79%
Total Therms and Revenues							\$8,124,507	\$44,153	0.55%
<u>RATE 260 - LARGE VOLUME TRANS:</u>									
Customer Facilities Charge	\$1,100.00					\$1,100.00	\$2,241,800	\$254,750	12.82%
First 50,000 Therms	\$0.0607		\$0.0006	\$0.0002	\$0.0000	\$0.0615	\$5,368,378	\$541,941	11.23%
Next 250,000 Therms	\$0.0473		\$0.0006	\$0.0002	\$0.0000	\$0.0481	\$5,196,684	\$519,498	11.11%
Over 300,000 Therms	\$0.0307		\$0.0006	\$0.0002	\$0.0000	\$0.0315	\$415,524	\$39,683	10.56%
Total Therms and Revenues							\$13,222,386	\$1,355,872	11.43%
TOTAL THERMS AND REVENUE							\$848,934,441	\$41,132,457	5.09%
MISCELLANEOUS REVENUES							\$14,086,939		
TOTAL REVENUES							\$863,021,380		

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
COST OF SERVICE STUDY
COMPARISON OF MARGINS AT PRESENT AND PROPOSED RATES

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-5
SCHEDULE 3
PAGE 1 OF 4

<u>DESCRIPTION</u>	<u>Number of Bills (1)</u>	<u>Billing Quantities (therms) (2)</u>	<u>Present Rates (\$/therm) (3)</u>	<u>Annual GCA (\$/therm) (4)</u>	<u>Annual PSA (\$/therm) (5)</u>	<u>Annual EEFC (\$/therm) (6)</u>	<u>Effective Present Rates (\$/therm) (7)</u>	<u>Margin at Present Rates (8)</u>
<u>RATE 210 - RESIDENTIAL SALES SERVICE</u>								
Customer Facilities Charge	6,077,774		\$11.00				\$11.00	\$66,855,514
First 45 Therms		199,874,621	\$0.2395	\$0.0000	\$0.0014	\$0.0057	\$0.2467	\$49,300,332
Over 45 Therms		240,544,415	\$0.1604	\$0.0000	\$0.0014	\$0.0057	\$0.1676	\$40,304,729
Total Therms and Revenues	6,077,774	440,419,036						\$156,460,575
<u>RATE 220 - GENERAL SALES SERVICE</u>								
Customer Facilities Charge - Group 1	421,477		\$15.00				\$15.00	\$6,322,155
Customer Facilities Charge - Group 2	130,310		\$36.00				\$36.00	\$4,691,160
Customer Facilities Charge - Group 3	27,844		\$75.00				\$75.00	\$2,088,300
First 45 Therms		15,798,700	\$0.2362	\$0.0000	\$0.0009	\$0.0057	\$0.2429	\$3,837,029
Next 455 Therms		72,752,242	\$0.1604	\$0.0000	\$0.0009	\$0.0057	\$0.1671	\$12,154,711
Over 500 Therms		99,741,747	\$0.1537	\$0.0000	\$0.0009	\$0.0057	\$0.1604	\$15,995,576
Total Therms and Revenues	579,631	188,292,689						\$45,088,931
<u>RATE 225 - SCHOOL TRANSPORTATION SERVICE</u>								
Customer Facilities Charge - Group 1	166		\$22.50				\$22.50	\$3,735
Customer Facilities Charge - Group 2	2,651		\$43.50				\$43.50	\$115,319
Customer Facilities Charge - Group 3	2,675		\$82.50				\$82.50	\$220,688
First 45 Therms		196,514	\$0.2362		\$0.0009	\$0.0057	\$0.2429	\$47,727
Next 455 Therms		1,488,366	\$0.1604		\$0.0009	\$0.0057	\$0.1671	\$248,661
Over 500 Therms		5,037,167	\$0.1537		\$0.0009	\$0.0057	\$0.1604	\$807,810
Total Therms and Revenues	5,492	6,722,047						\$1,443,940

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
COST OF SERVICE STUDY
COMPARISON OF MARGINS AT PRESENT AND PROPOSED RATES

DATA: 12 MONTHS ENDED DECEMBER 31, 2011
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-5
SCHEDULE 3
PAGE 2 OF 4

<u>DESCRIPTION</u>	<u>Proposed Rates (\$/therm)</u> (9)	<u>Annual GCA (\$/therm)</u> (10)	<u>Company Use UAFC GCA (\$/therm)</u> (11)	<u>Annual PSA (\$/therm)</u> (12)	<u>Annual EEFC (\$/therm)</u> (13)	<u>Effective Proposed Rates (\$/therm)</u> (14)	<u>Margin at Proposed Rates</u> (15)	<u>Increase in Margins</u>	
								<u>Amount</u> (16)	<u>Percent</u> (17)
<u>RATE 210 - RESIDENTIAL SALES SERVICE</u>									
Customer Facilities Charge	\$16.00					\$16.00	\$97,244,384	\$30,388,870	45.45%
First 45 Therms	\$0.2627	\$0.0000	\$0.0014	\$0.0014	\$0.0057	\$0.2712	\$54,210,235	\$4,909,903	9.96%
Over 45 Therms	\$0.1757	\$0.0000	\$0.0014	\$0.0014	\$0.0057	\$0.1842	\$44,313,381	\$4,008,652	9.95%
Total Therms and Revenues							\$195,768,000	\$39,307,425	25.12%
<u>RATE 220 - GENERAL SALES SERVICE</u>									
Customer Facilities Charge - Group 1	\$16.00					\$16.00	\$6,743,632	\$421,477	6.67%
Customer Facilities Charge - Group 2	\$36.00					\$36.00	\$4,691,160	\$0	0.00%
Customer Facilities Charge - Group 3	\$75.00					\$75.00	\$2,088,300	\$0	0.00%
First 45 Therms	\$0.2340	\$0.0000	\$0.0014	\$0.0009	\$0.0057	\$0.2420	\$3,823,836	(\$13,193)	-0.34%
Next 455 Therms	\$0.1583	\$0.0000	\$0.0014	\$0.0009	\$0.0057	\$0.1663	\$12,101,232	(\$53,479)	-0.44%
Over 500 Therms	\$0.1513	\$0.0000	\$0.0014	\$0.0009	\$0.0057	\$0.1593	\$15,892,335	(\$103,241)	-0.65%
Total Therms and Revenues							\$45,340,495	\$251,564	0.56%
<u>RATE 225 - SCHOOL TRANSPORTATION</u>									
Customer Facilities Charge - Group 1	\$22.50					\$22.50	\$3,735	\$0	0.00%
Customer Facilities Charge - Group 2	\$43.50					\$43.50	\$115,319	\$0	0.00%
Customer Facilities Charge - Group 3	\$82.50					\$82.50	\$220,688	\$0	0.00%
First 45 Therms	\$0.2362		\$0.0006	\$0.0009	\$0.0057	\$0.2435	\$47,846	\$119	0.25%
Next 455 Therms	\$0.1604		\$0.0006	\$0.0009	\$0.0057	\$0.1677	\$249,561	\$900	0.36%
Over 500 Therms	\$0.1537		\$0.0006	\$0.0009	\$0.0057	\$0.1610	\$810,856	\$3,046	0.38%
Total Therms and Revenues							\$1,448,005	\$4,065	0.28%

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

[illegible]

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
COST OF SERVICE STUDY
COMPARISON OF MARGINS AT PRESENT AND PROPOSED RATES

DATA: 12 MONTHS ENDED DECEMBER 31, 2011
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-5
SCHEDULE 3
PAGE 4 OF 4

DESCRIPTION	Proposed Rates (\$/therm) (9)	Annual GCA (\$/therm) (10)	Company Use UAFG GCA (\$/therm) (11)	Annual PSA (\$/therm) (12)	Annual EEFC (\$/therm) (13)	Effective Proposed Rates (\$/therm) (14)	Margin at Proposed Rates (15)	Increase in Margins Amount Percent (16) (17)	
<u>RATE 240 - INTERRUPTIBLE SALES :</u>									
Customer Facilities Charge	\$175.00					\$175.00	\$207,725	\$29,675	16.67%
First 2,500 Therms	\$0.1840	\$0.0000	\$0.0014	\$0.0004	\$0.0000	\$0.1858	\$285,102	\$47,668	20.08%
Over 2,500 Therms	\$0.0712	\$0.0000	\$0.0014	\$0.0004	\$0.0000	\$0.0730	\$552,273	\$92,033	20.00%
Total Therms and Revenues							\$1,045,100	\$169,376	19.34%
<u>RATE 245 - LARGE GENERAL TRANS:</u>									
Customer Facilities Charge	\$175.00					\$175.00	\$1,155,700	\$0	0.00%
First 2,500 Therms	\$0.1681		\$0.0006	\$0.001	\$0.000	\$0.169	\$2,450,628	\$8,745	0.36%
Over 2,500 Therms	\$0.0758		\$0.0006	\$0.001	\$0.000	\$0.077	\$4,518,179	\$35,408	0.79%
Total Therms and Revenues							\$8,124,507	\$44,153	0.55%
<u>RATE 260 - LARGE VOLUME TRANS:</u>									
Customer Facilities Charge	\$1,100.00					\$1,100.00	\$2,241,800	\$254,750	12.82%
First 50,000 Therms	\$0.0607		\$0.0006	\$0.0002	\$0.0000	\$0.0615	\$5,368,378	\$541,941	11.23%
Next 250,000 Therms	\$0.0473		\$0.0006	\$0.0002	\$0.0000	\$0.0481	\$5,196,684	\$519,498	11.11%
Over 300,000 Therms	\$0.0307		\$0.0006	\$0.0002	\$0.0000	\$0.0315	\$415,524	\$39,683	10.56%
Total Therms and Revenues							\$13,222,386	\$1,355,872	11.43%
TOTAL THERMS AND REVENUE							\$264,948,493	\$41,132,455	18.38%
MISCELLANEOUS REVENUES							\$14,086,939		
TOTAL REVENUES							\$279,035,432		

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
TYPICAL BILL COMPARISON
RATE 210 - RESIDENTIAL SALES SERVICE

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-6
SCHEDULE 1

LINE NO.	LEVEL OF <u>USAGE</u>	CURRENT <u>BILL</u>	PROPOSED <u>BILL</u>	DOLLAR <u>INCREASE</u> (C - B)	PERCENT <u>INCREASE</u> (D / B)
	(A)	(B)	(C)	(D)	(E)
	(therms)	(\$)	(\$)	(\$)	(%)
1	0	\$11.00	\$16.00	\$5.00	45.46%
2	10	\$22.63	\$27.87	\$5.25	23.18%
3	20	\$34.25	\$39.75	\$5.49	16.03%
4	30	\$45.88	\$51.62	\$5.74	12.50%
5	40	\$57.51	\$63.49	\$5.98	10.40%
6	50	\$68.74	\$74.93	\$6.19	9.00%
7	60	\$79.58	\$85.93	\$6.36	7.99%
8	70	\$90.41	\$96.93	\$6.52	7.21%
9	80	\$101.25	\$107.94	\$6.69	6.61%
10	90	\$112.08	\$118.94	\$6.86	6.12%
11	100	\$122.92	\$129.94	\$7.02	5.71%
12	125	\$150.01	\$157.45	\$7.44	4.96%
13	150	\$177.10	\$184.95	\$7.86	4.44%
14	175	\$204.19	\$212.46	\$8.27	4.05%
15	200	\$231.28	\$239.97	\$8.69	3.76%
16	225	\$258.37	\$267.47	\$9.11	3.52%
17	250	\$285.46	\$294.98	\$9.52	3.34%
18	275	\$312.55	\$322.49	\$9.94	3.18%
19	300	\$339.64	\$349.99	\$10.35	3.05%

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
TYPICAL BILL COMPARISON
BILL IMPACTS FOR AVERAGE RESIDENTIAL CUSTOMER

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-6
SCHEDULE 2

<u>Month</u>	<u>Usage (therms)</u>	<u>Present Rate</u>	<u>Proposed Rate</u>	<u>Increase</u>	
				<u>Amount</u>	<u>Percent</u>
January	172.4	\$201.42	\$209.65	\$8.23	4.09%
February	143.0	\$169.55	\$177.29	\$7.74	4.56%
March	139.3	\$165.50	\$173.18	\$7.68	4.64%
April	83.8	\$105.32	\$112.07	\$6.75	6.41%
May	35.4	\$52.21	\$58.08	\$5.87	11.24%
June	25.2	\$40.27	\$45.89	\$5.62	13.95%
July	15.4	\$28.86	\$34.24	\$5.38	18.63%
August	14.2	\$27.55	\$32.90	\$5.35	19.42%
September	15.3	\$28.81	\$34.19	\$5.38	18.66%
October	26.7	\$42.02	\$47.67	\$5.66	13.46%
November	80.2	\$101.46	\$108.15	\$6.69	6.60%
December	<u>118.6</u>	<u>\$143.09</u>	<u>\$150.43</u>	<u>\$7.33</u>	<u>5.12%</u>
Total	869.6	\$1,106.07	\$1,183.74	\$77.67	7.02%

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
TYPICAL BILL COMPARISON
RATE 220 - GENERAL SALES SERVICE
GROUP 1 METERS

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-6
SCHEDULE 3

LINE NO.	LEVEL OF <u>USAGE</u> (A)	CURRENT <u>BILL</u> (B)	PROPOSED <u>BILL</u> (C)	DOLLAR <u>INCREASE</u> (C - B) (D)	PERCENT <u>INCREASE</u> (D / B) (E)
	(therms)	(\$)	(\$)	(\$)	(%)
1	0	\$15.00	\$16.00	\$1.00	6.67%
2	10	\$26.59	\$27.58	\$0.99	3.73%
3	20	\$38.18	\$39.16	\$0.98	2.58%
4	30	\$49.77	\$50.74	\$0.97	1.96%
5	40	\$61.36	\$62.32	\$0.97	1.58%
6	50	\$72.57	\$73.53	\$0.96	1.32%
7	100	\$126.72	\$127.65	\$0.92	0.73%
8	150	\$180.88	\$181.76	\$0.89	0.49%
9	200	\$235.04	\$235.88	\$0.85	0.36%
10	250	\$289.19	\$290.00	\$0.81	0.28%
11	300	\$343.35	\$344.12	\$0.77	0.23%
12	400	\$451.66	\$452.36	\$0.70	0.16%
13	500	\$559.97	\$560.60	\$0.63	0.11%
14	600	\$667.61	\$668.14	\$0.52	0.08%
15	700	\$775.26	\$775.68	\$0.42	0.05%
16	800	\$882.90	\$883.22	\$0.32	0.04%
17	900	\$990.54	\$990.76	\$0.21	0.02%
18	1,000	\$1,098.18	\$1,098.29	\$0.11	0.01%
19	2,000	\$2,174.61	\$2,173.68	(\$0.92)	-0.04%
20	3,000	\$3,251.03	\$3,249.07	(\$1.96)	-0.06%
21	4,000	\$4,327.45	\$4,324.46	(\$2.99)	-0.07%

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
TYPICAL BILL COMPARISON
RATE 220 - GENERAL SALES SERVICE
GROUP 2 METERS

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-6
SCHEDULE 4

LINE NO.	LEVEL OF USAGE (A)	CURRENT BILL (B)	PROPOSED BILL (C)	DOLLAR INCREASE (C - B) (D)	PERCENT INCREASE (D / B) (E)
	(therms)	(\$)	(\$)	(\$)	(%)
1	0	\$36.00	\$36.00	\$0.00	0.00%
2	100	\$147.72	\$147.65	(\$0.08)	-0.05%
3	200	\$256.04	\$255.88	(\$0.15)	-0.06%
4	300	\$364.35	\$364.12	(\$0.23)	-0.06%
5	400	\$472.66	\$472.36	(\$0.30)	-0.06%
6	500	\$580.97	\$580.60	(\$0.37)	-0.06%
7	1,000	\$1,119.18	\$1,118.29	(\$0.89)	-0.08%
8	1,500	\$1,657.40	\$1,655.99	(\$1.41)	-0.09%
9	2,000	\$2,195.61	\$2,193.68	(\$1.92)	-0.09%
10	3,000	\$3,272.03	\$3,269.07	(\$2.96)	-0.09%
11	4,000	\$4,348.45	\$4,344.46	(\$3.99)	-0.09%
12	5,000	\$5,424.88	\$5,419.85	(\$5.03)	-0.09%
13	6,000	\$6,501.30	\$6,495.23	(\$6.07)	-0.09%
14	7,000	\$7,577.72	\$7,570.62	(\$7.10)	-0.09%
15	8,000	\$8,654.14	\$8,646.01	(\$8.14)	-0.09%
16	9,000	\$9,730.57	\$9,721.40	(\$9.17)	-0.09%
17	10,000	\$10,806.99	\$10,796.78	(\$10.21)	-0.09%
18	11,000	\$11,883.41	\$11,872.17	(\$11.24)	-0.10%
19	12,000	\$12,959.83	\$12,947.56	(\$12.28)	-0.10%
20	13,000	\$14,036.26	\$14,022.95	(\$13.31)	-0.10%
21	14,000	\$15,112.68	\$15,098.33	(\$14.35)	-0.10%
22	15,000	\$16,189.10	\$16,173.72	(\$15.38)	-0.10%

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
TYPICAL BILL COMPARISON
RATE 220 - GENERAL SALES SERVICE
GROUP 3 METERS

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-6
SCHEDULE 5

LINE NO.	LEVEL OF USAGE (A)	CURRENT BILL (B)	PROPOSED BILL (C)	DOLLAR INCREASE (C - B) (D)	PERCENT INCREASE (D / B) (E)
	(therms)	(\$)	(\$)	(\$)	(%)
1	0	\$75.00	\$75.00	\$0.00	0.0%
2	100	\$186.72	\$186.65	(\$0.08)	0.0%
3	200	\$295.04	\$294.88	(\$0.15)	-0.1%
4	300	\$403.35	\$403.12	(\$0.23)	-0.1%
5	400	\$511.66	\$511.36	(\$0.30)	-0.1%
6	500	\$619.97	\$619.60	(\$0.37)	-0.1%
7	1,000	\$1,158.18	\$1,157.29	(\$0.89)	-0.1%
8	2,000	\$2,234.61	\$2,232.68	(\$1.92)	-0.1%
9	3,000	\$3,311.03	\$3,308.07	(\$2.96)	-0.1%
10	4,000	\$4,387.45	\$4,383.46	(\$3.99)	-0.1%
11	5,000	\$5,463.88	\$5,458.85	(\$5.03)	-0.1%
12	10,000	\$10,845.99	\$10,835.78	(\$10.21)	-0.1%
13	15,000	\$16,228.10	\$16,212.72	(\$15.38)	-0.1%
14	20,000	\$21,610.22	\$21,589.66	(\$20.56)	-0.1%
15	30,000	\$32,374.45	\$32,343.54	(\$30.91)	-0.1%
16	40,000	\$43,138.67	\$43,097.42	(\$41.26)	-0.1%
17	50,000	\$53,902.90	\$53,851.29	(\$51.61)	-0.1%
18	60,000	\$64,667.13	\$64,605.17	(\$61.96)	-0.1%
19	70,000	\$75,431.36	\$75,359.05	(\$72.31)	-0.1%
20	80,000	\$86,195.59	\$86,112.92	(\$82.66)	-0.1%

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
TYPICAL BILL COMPARISON
RATE 225 - SCHOOL TRANSPORTATION SERVICE
GROUP 1 METERS

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-6
SCHEDULE 6

LINE NO.	LEVEL OF <u>USAGE</u> (A)	CURRENT <u>BILL</u> (B)	PROPOSED <u>BILL</u> (C)	DOLLAR <u>INCREASE</u> (C - B) (D)	PERCENT <u>INCREASE</u> (D / B) (E)
	(therms)	(\$)	(\$)	(\$)	(%)
1	0	\$22.50	\$22.50	\$0.00	0.0%
2	10	\$24.93	\$24.93	\$0.01	0.0%
3	20	\$27.36	\$27.37	\$0.01	0.0%
4	30	\$29.79	\$29.80	\$0.02	0.1%
5	40	\$32.21	\$32.24	\$0.02	0.1%
6	50	\$34.26	\$34.29	\$0.03	0.1%
7	100	\$42.62	\$42.68	\$0.06	0.1%
8	150	\$50.97	\$51.06	\$0.09	0.2%
9	200	\$59.32	\$59.45	\$0.12	0.2%
10	250	\$67.68	\$67.83	\$0.15	0.2%
11	300	\$76.03	\$76.21	\$0.18	0.2%
12	400	\$92.74	\$92.98	\$0.24	0.3%
13	500	\$109.45	\$109.75	\$0.30	0.3%
14	600	\$125.48	\$125.85	\$0.36	0.3%
15	700	\$141.52	\$141.94	\$0.42	0.3%
16	800	\$157.56	\$158.04	\$0.48	0.3%
17	900	\$173.59	\$174.14	\$0.54	0.3%
18	1,000	\$189.63	\$190.24	\$0.60	0.3%
19	2,000	\$350.00	\$351.21	\$1.21	0.3%
20	3,000	\$510.37	\$512.18	\$1.81	0.4%
21	4,000	\$670.74	\$673.16	\$2.42	0.4%

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
TYPICAL BILL COMPARISON
RATE 225 - SCHOOL TRANSPORTATION SERVICE
GROUP 2 METERS

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-6
SCHEDULE 7

LINE NO.	LEVEL OF USAGE (A)	CURRENT BILL (B)	PROPOSED BILL (C)	DOLLAR INCREASE (C - B) (D)	PERCENT INCREASE (D / B) (E)
	(therms)	(\$)	(\$)	(\$)	(%)
1	0	\$43.50	\$43.50	\$0.00	0.0%
2	100	\$63.62	\$63.68	\$0.06	0.1%
3	200	\$80.32	\$80.45	\$0.12	0.2%
4	300	\$97.03	\$97.21	\$0.18	0.2%
5	400	\$113.74	\$113.98	\$0.24	0.2%
6	500	\$130.45	\$130.75	\$0.30	0.2%
7	1,000	\$210.63	\$211.24	\$0.60	0.3%
8	1,500	\$290.82	\$291.72	\$0.91	0.3%
9	2,000	\$371.00	\$372.21	\$1.21	0.3%
10	3,000	\$531.37	\$533.18	\$1.81	0.3%
11	4,000	\$691.74	\$694.16	\$2.42	0.4%
12	5,000	\$852.11	\$855.13	\$3.02	0.4%
13	6,000	\$1,012.48	\$1,016.11	\$3.63	0.4%
14	7,000	\$1,172.85	\$1,177.08	\$4.23	0.4%
15	8,000	\$1,333.22	\$1,338.06	\$4.84	0.4%
16	9,000	\$1,493.59	\$1,499.03	\$5.44	0.4%
17	10,000	\$1,653.96	\$1,660.01	\$6.05	0.4%
18	11,000	\$1,814.33	\$1,820.98	\$6.65	0.4%
19	12,000	\$1,974.70	\$1,981.96	\$7.26	0.4%
20	13,000	\$2,135.07	\$2,142.93	\$7.86	0.4%
21	14,000	\$2,295.44	\$2,303.91	\$8.47	0.4%
22	15,000	\$2,455.81	\$2,464.88	\$9.07	0.4%

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
TYPICAL BILL COMPARISON
RATE 225 - SCHOOL TRANSPORTATION SERVICE
GROUP 3 METERS

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-6
SCHEDULE 8

LINE NO.	LEVEL OF USAGE (A)	CURRENT BILL (B)	PROPOSED BILL (C)	DOLLAR INCREASE (C - B) (D)	PERCENT INCREASE (D / B) (E)
	(therms)	(\$)	(\$)	(\$)	(%)
1	0	\$82.50	\$82.50	\$0.00	0.0%
2	100	\$102.62	\$102.68	\$0.06	0.1%
3	200	\$119.32	\$119.45	\$0.12	0.1%
4	300	\$136.03	\$136.21	\$0.18	0.1%
5	400	\$152.74	\$152.98	\$0.24	0.2%
6	500	\$169.45	\$169.75	\$0.30	0.2%
7	1,000	\$249.63	\$250.24	\$0.60	0.2%
8	2,000	\$410.00	\$411.21	\$1.21	0.3%
9	3,000	\$570.37	\$572.18	\$1.81	0.3%
10	4,000	\$730.74	\$733.16	\$2.42	0.3%
11	5,000	\$891.11	\$894.13	\$3.02	0.3%
12	10,000	\$1,692.96	\$1,699.01	\$6.05	0.4%
13	15,000	\$2,494.81	\$2,503.88	\$9.07	0.4%
14	20,000	\$3,296.66	\$3,308.75	\$12.09	0.4%
15	30,000	\$4,900.36	\$4,918.50	\$18.14	0.4%
16	40,000	\$6,504.06	\$6,528.25	\$24.19	0.4%
17	50,000	\$8,107.76	\$8,137.99	\$30.24	0.4%
18	60,000	\$9,711.46	\$9,747.74	\$36.28	0.4%
19	70,000	\$11,315.16	\$11,357.49	\$42.33	0.4%
20	80,000	\$12,918.85	\$12,967.23	\$48.38	0.4%

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
TYPICAL BILL COMPARISON
RATE 240 - INTERRUPTIBLE SALES SERVICE

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-6
SCHEDULE 9

LINE NO.	LEVEL OF <u>USAGE</u> (A)	CURRENT <u>BILL</u> (B)	PROPOSED <u>BILL</u> (C)	DOLLAR <u>INCREASE</u> (C - B) (D)	PERCENT <u>INCREASE</u> (D / B) (E)
	(therms)	(\$)	(\$)	(\$)	(%)
1	0	\$150.00	\$175.00	\$25.00	16.7%
2	100	\$254.05	\$282.16	\$28.11	11.1%
3	200	\$358.10	\$389.31	\$31.21	8.7%
4	300	\$462.15	\$496.47	\$34.32	7.4%
5	400	\$566.20	\$603.63	\$37.43	6.6%
6	500	\$670.25	\$710.78	\$40.53	6.0%
7	1,000	\$1,190.50	\$1,246.57	\$56.06	4.7%
8	2,000	\$2,231.00	\$2,318.13	\$87.13	3.9%
9	3,000	\$3,224.56	\$3,333.30	\$108.74	3.4%
10	4,000	\$4,171.16	\$4,292.07	\$120.91	2.9%
11	5,000	\$5,117.76	\$5,250.84	\$133.07	2.6%
12	10,000	\$9,850.77	\$10,044.67	\$193.90	2.0%
13	15,000	\$14,583.79	\$14,838.51	\$254.72	1.7%
14	20,000	\$19,316.80	\$19,632.35	\$315.55	1.6%
15	30,000	\$28,782.82	\$29,220.02	\$437.20	1.5%
16	40,000	\$38,248.85	\$38,807.69	\$558.85	1.5%
17	50,000	\$47,714.87	\$48,395.37	\$680.50	1.4%
18	60,000	\$57,180.90	\$57,983.04	\$802.14	1.4%
19	70,000	\$66,646.92	\$67,570.71	\$923.79	1.4%
20	80,000	\$76,112.94	\$77,158.39	\$1,045.44	1.4%

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
TYPICAL BILL COMPARISON
RATE 245 - LARGE GENERAL TRANSPORTATION SERVICE

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-6
SCHEDULE 10

LINE NO.	LEVEL OF USAGE (A)	CURRENT BILL (B)	PROPOSED BILL (C)	DOLLAR INCREASE (C - B) (D)	PERCENT INCREASE (D / B) (E)
	(therms)	(\$)	(\$)	(\$)	(%)
1	0	\$175.00	\$175.00	\$0.00	0.0%
2	500	\$259.43	\$259.73	\$0.30	0.1%
3	1,000	\$343.86	\$344.46	\$0.60	0.2%
4	2,000	\$512.72	\$513.93	\$1.21	0.2%
5	3,000	\$635.43	\$637.24	\$1.81	0.3%
6	4,000	\$711.99	\$714.41	\$2.42	0.3%
7	5,000	\$788.55	\$791.57	\$3.02	0.4%
8	10,000	\$1,171.34	\$1,177.39	\$6.05	0.5%
9	15,000	\$1,554.14	\$1,563.21	\$9.07	0.6%
10	20,000	\$1,936.93	\$1,949.03	\$12.09	0.6%
11	30,000	\$2,702.52	\$2,720.67	\$18.14	0.7%
12	40,000	\$3,468.12	\$3,492.31	\$24.19	0.7%
13	50,000	\$4,233.71	\$4,263.94	\$30.24	0.7%
14	60,000	\$4,999.30	\$5,035.58	\$36.28	0.7%
15	70,000	\$5,764.89	\$5,807.22	\$42.33	0.7%
16	80,000	\$6,530.48	\$6,578.86	\$48.38	0.7%
17	90,000	\$7,296.07	\$7,350.50	\$54.42	0.7%
18	100,000	\$8,061.67	\$8,122.14	\$60.47	0.8%
19	120,000	\$9,592.85	\$9,665.42	\$72.57	0.8%
20	140,000	\$11,124.03	\$11,208.69	\$84.66	0.8%
21	160,000	\$12,655.22	\$12,751.97	\$96.75	0.8%
22	180,000	\$14,186.40	\$14,295.25	\$108.85	0.8%

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
TYPICAL BILL COMPARISON
RATE 260 - LARGE VOLUME TRANSPORTATION SERVICE

DATA: 12 MONTHS ENDED DECEMBER 31, 2006
TYPE OF FILING: CASE-IN-CHIEF

PETITIONER'S EXHIBIT KAH-6
SCHEDULE 11

LINE NO.	LEVEL OF USAGE (A)	CURRENT BILL (B)	PROPOSED BILL (C)	DOLLAR INCREASE (C - B) (D)	PERCENT INCREASE (D / B) (E)
	(therms)	(\$)	(\$)	(\$)	(%)
1	0	\$975.00	\$1,100.00	\$125.00	12.8%
2	5,000	\$1,251.29	\$1,407.31	\$156.02	12.5%
3	10,000	\$1,527.58	\$1,714.63	\$187.05	12.2%
4	20,000	\$2,080.16	\$2,329.26	\$249.09	12.0%
5	30,000	\$2,632.75	\$2,943.89	\$311.14	11.8%
6	40,000	\$3,185.33	\$3,558.52	\$373.19	11.7%
7	50,000	\$3,737.91	\$4,173.15	\$435.24	11.6%
8	60,000	\$4,170.49	\$4,653.78	\$483.28	11.6%
9	70,000	\$4,603.08	\$5,134.41	\$531.33	11.5%
10	80,000	\$5,035.66	\$5,615.03	\$579.38	11.5%
11	90,000	\$5,468.24	\$6,095.66	\$627.42	11.5%
12	100,000	\$5,900.82	\$6,576.29	\$675.47	11.4%
13	200,000	\$10,226.64	\$11,382.59	\$1,155.94	11.3%
14	300,000	\$14,552.46	\$16,188.88	\$1,636.42	11.2%
15	400,000	\$17,398.29	\$19,335.17	\$1,936.89	11.1%
16	500,000	\$20,244.11	\$22,481.47	\$2,237.36	11.1%
17	600,000	\$23,089.93	\$25,627.76	\$2,537.83	11.0%
18	700,000	\$25,935.75	\$28,774.05	\$2,838.30	10.9%
19	800,000	\$28,781.57	\$31,920.35	\$3,138.77	10.9%
20	900,000	\$31,627.39	\$35,066.64	\$3,439.25	10.9%
21	1,000,000	\$34,473.22	\$38,212.93	\$3,739.72	10.8%
22	1,100,000	\$37,319.04	\$41,359.23	\$4,040.19	10.8%

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
ANALYSIS OF FRAUDULENT OR UNAPPROVED USE OF GAS CHARGE

TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-7
SCHEDULE 1

Labor	Cost of Diversion				Loadings		Total Cost
	Time (Minutes)	% of One Hour	Hourly Pay Rate	Truck Rate per Hour	Payroll Taxes, Non prod, Benefits	Supervision Overhead	
Service Specialist-Disconnect (1)	25	41.67%	\$25.07	\$7.45	56.00%	10.00%	\$20.44
Administrative Labor (Revenue Protection) - This area processes the service order which includes review of account. Telephone interviews to property owners, landlords, and tenants. Utilizing software tools such as Accurant and Accessor's Websites. Locating and documenting accountable party. Calculate usage, document and close in Customers Information System.							
	90	150.00%	\$14.00		56.00%	10.00%	\$34.86
Customer Service Support - Contact Center which includes call times for average diversion account							
	17	28%	\$11.80		56.00%	10.00%	\$5.55
Dispatcher	2	3.3%	\$15.44		56.00%	10.00%	\$0.85
Billing - this department receives the service order with usage amount from Revenue Protection. Usage must be calculated and customer billed							
	30	50.0%	\$14.00		56.00%	10.00%	\$11.62
Total Cost							\$73.33
Propose							\$70.00

Footnotes:

1 Per Vectren North labor agreement, hourly pay rate increases to \$25.07 on 12/3/2007.

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
ANALYSIS OF INCREMENTAL AFTER HOURS CHARGE

TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-7
SCHEDULE 2

<u>Labor</u>	<u>Time (Minutes)</u>	<u>% of One Hour</u>	<u>Hourly Pay Rate (1)</u>	<u>Overtime Rate</u>	<u>Truck Rate Per Hour</u>	<u>Loading Rates Per Hour</u>		
						<u>Payroll Taxes Non-Prod. Benefits</u>	<u>Supervision Overhead</u>	<u>Total Cost</u>
Service Specialist	60	100.0%	\$25.07	\$37.61	\$7.45	56.00%	10.00%	\$69.87
Total Cost						\$69.87		
Propose						\$69.00		

Footnotes:

1. Per Vectren North labor agreement, hourly pay rate increases to \$25.07 on 12/3/2007.

VECTREN ENERGY DELIVERY OF INDIANA - NORTH
IURC CAUSE NO. 43298
ANALYSIS OF TRIP AND LABOR CHARGE

TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-7
SCHEDULE 3

REGULAR HOURS

<u>Labor</u>	<u>Hourly Pay Rate (1)</u>	<u>Truck Rate Per Hour</u>	<u>Loading Rates Per Hour</u>			<u>Total Hourly Cost</u>	<u>Overall Cost per Minute</u>	<u>Trip Charge (20 Min) (2)</u>	<u>Proposed Trip Charge (20 Min)</u>		<u>Labor Charge (15 Min)</u>	<u>Proposed Labor Charge (15 Min)</u>
			<u>Payroll Taxes</u>	<u>Non-Prod. Benefits</u>	<u>Supervision Overhead</u>				<u>Trip Charge (20 Min)</u>	<u>Labor Charge (15 Min)</u>		
Regular	\$25.07	\$7.45		56%	10%	\$49.07	\$0.82	\$16.36	\$16.00	\$12.27		\$12.00

OUTSIDE OF NORMAL BUSINESS HOURS

<u>Labor</u>	<u>Hourly Pay Rate (1)</u>	<u>Overtime Rate</u>	<u>Truck Rate Per Hour</u>	<u>Loading Rates Per Hour</u>			<u>Total Hourly Cost</u>	<u>Overall Cost per Minute</u>	<u>Trip Charge (20 Min) (2)</u>	<u>Proposed Trip Charge (20 Min)</u>		<u>Labor Charge (15 Min)</u>	<u>Proposed Labor Charge (15 Min)</u>
				<u>Payroll Taxes</u>	<u>Non-Prod. Benefits</u>	<u>Supervision Overhead</u>				<u>Trip Charge (20 Min)</u>	<u>Labor Charge (15 Min)</u>		
Outside of Normal	\$25.07	\$37.61	\$7.45		56%	10%	\$69.87	\$1.16	\$23.29	\$23.00	\$17.47		\$17.00

Footnotes:

- 1 Per Vectren North labor agreement, hourly pay rate increases to \$25.07 on 12/3/2007.
- 2 Average round trip travel time per order is approximately 20 minutes.

**INDIANA GAS COMPANY, INC.
d/b/a VECTREN ENERGY DELIVERY OF INDIANA, INC.
(VECTREN NORTH)**

IURC CAUSE NO. 43298

**DIRECT TESTIMONY
OF
SCOTT E. ALBERTSON
DIRECTOR, REGULATORY AFFAIRS**

ON

**UNACCOUNTED FOR AND BAD DEBT GAS COST RECOVERY,
DISTRIBUTION REPLACEMENT ADJUSTMENT,
DEFERRED PIPELINE SAFETY EXPENSE RECOVERY,
AND
TARIFF FOR GAS SERVICE**

SPONSORING PETITIONER'S EXHIBITS SEA-1 THROUGH SEA-10

Direct Testimony of Scott E. Albertson

INTRODUCTION

Q. Please state your name and business address.

A. Scott E. Albertson
One Vectren Square
Evansville, Indiana 47708

Q. What position do you hold with Petitioner Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren North" or "the Company")?

A. I am Director of Regulatory Affairs for Vectren Utility Holdings, Inc. ("VUHI"), the immediate parent company of Vectren North. I hold the same position with two other utility subsidiaries of VUHI—Southern Indiana Gas and Electric Company ("Vectren South") and Vectren Energy Delivery of Ohio ("Vectren Ohio").

Q. Please describe your educational background.

A. I received a Bachelor of Science degree in mechanical engineering from Rose-Hulman Institute of Technology in 1984.

Q. Are you a Registered Professional Engineer?

A. Yes. I have been a professional engineer in Indiana since 1990 (registration number 900464).

Q. Please describe your professional experience.

A. I have over 22 years experience in the utility industry, primarily in the operations and engineering areas. I have worked at VUHI and its predecessor companies since 1987 in a variety of positions including Operations Staff Manager, Assistant Chief Engineer, Director of Engineering Projects, and Director of Engineering. Prior to assuming my current role in 2004, I was Director of Technical Services with responsibility for engineering and technical support for all VUHI utility operations. I began my career with Ohio Valley Gas Corporation in a project

1 engineering position.
2

3 **Q. What are your present duties and responsibilities as Director of Regulatory**
4 **Affairs?**

5 A. I have responsibility for the regulatory matters of the regulated utilities within
6 VUHI, including proceedings before the Indiana and Ohio utility regulatory
7 commissions.
8

9 **Q. Have you previously testified before this Commission?**

10 A. Yes. I testified in Vectren North's last general rate case (Cause No. 42598) and
11 in Vectren South's two most recent gas general rate cases (Cause Nos. 42596
12 and 43112). I have also testified in several previous Vectren North GCA
13 proceedings as well as a number of Vectren South GCA, FAC, DSM and Qualified
14 Pollution Control Property ("QPCP") proceedings. I have testified in Vectren
15 North and Vectren South Pipeline Safety Adjustment proceedings, and also filed
16 testimony supporting the Edwardsport Integrated Gasification Combined Cycle
17 project (Cause No. 43114).
18

19 **Q. What is the purpose of your testimony in this proceeding?**

20 A. My testimony in this proceeding addresses Vectren North's proposals to establish
21 regulatory mechanisms that will benefit customers and the Company by tracking
22 volatile costs and accelerating distribution system improvements. Specifically,
23 Vectren North proposes to: (1) change the manner in which it recovers
24 unaccounted for gas costs and the gas cost component of bad debt expense; and
25 (2) create a mechanism to recover capital investments associated with a program
26 to accelerate the replacement of cast iron mains and bare steel mains and service
27 lines in the Vectren North distribution system. My testimony also provides an
28 explanation of Vectren North's proposed pro forma adjustment to recover deferred
29 expenses under the Company's Pipeline Safety Adjustment. Finally, I will discuss
30 Vectren North's proposed Tariff For Gas Service ("Tariff").
31

32 **Q. How is your testimony organized?**

1 A. My testimony is organized as follows:

- 2
- 3 I. Unaccounted For Gas Costs
- 4 II. Gas Cost Component of Bad Debt Expense
- 5 III. Distribution Replacement Adjustment
- 6 IV. Deferred Pipeline Safety Expense Recovery
- 7 V. Tariff
- 8 a. Introduction
- 9 b. Rate Schedules
- 10 c. Appendices and Riders
- 11 d. General Terms and Conditions
- 12 e. Affiliate and Cost Allocation Guidelines
- 13

14 **Q. What exhibits are you sponsoring in this proceeding?**

15 A. I am sponsoring the following exhibits which have been prepared by me or under
16 my supervision:

17 Petitioner's Exhibit No. SEA-2 – "Historical NYMEX Natural Gas Settlement
18 Pricing"

19 Petitioner's Exhibit No. SEA-3 – "Unaccounted For Gas Costs – GCA Recovery in
20 Other Jurisdictions"

21 Petitioner's Exhibit No. SEA-4 – "GCA Schedules – Current and Proposed"

22 Petitioner's Exhibit No. SEA-5 – "Unaccounted For Gas Costs Examples"

23 Petitioner's Exhibit No. SEA-6 – "Accelerated Main Replacement Programs –
24 Cost Recovery Outside of Full Rate Case"

25 Petitioner's Exhibit No. SEA-7 – "Distribution Replacement Adjustment – Pro
26 Forma Filing Schedules"

27 Petitioner's Exhibit No. SEA-8 – "Distribution Replacement Adjustment –
28 Estimated Margin Increases by Rate Schedule"

29 Petitioner's Exhibit No. SEA-9 – "Distribution Replacement Adjustment –
30 Estimated Residential Customer Bill Impacts"

31 Petitioner's Exhibit No. SEA-10 – "Tariff for Gas Service"

32

1
2 **I. Unaccounted For Gas Costs**

3
4 **Q. What is Vectren North's proposal with respect to recovery of Unaccounted**
5 **For Gas ("UAFG") costs?**

6 A. Vectren North is proposing to track the difference between UAFG costs recovered
7 in base rates and actual UAFG costs incurred, and include this difference in its
8 quarterly Gas Cost Adjustment ("GCA") filings.
9

10 **Q. Why is Vectren North making this proposal?**

11 A. Currently, Vectren North's UAFG costs are included in base rates charged to
12 customers. The amount of UAFG costs included in base rates is determined in a
13 base rate proceeding by multiplying the pro forma commodity cost of gas in that
14 proceeding by the Company's historical UAFG percentage. The pro forma
15 commodity cost of gas is the best available estimate of gas costs to be expected
16 during a future twelve month period. Currently, unlike actual gas costs which are
17 subject to tracking in the GCA, once the cost of UAFG is established in base rates
18 it becomes a static value representative of information available at a single point
19 in time. Many conditions affect the actual market price of gas, and as evidenced
20 by the recent past these conditions can result in extreme market price volatility.
21 The level of gas price volatility over the last several years is unprecedented. As
22 shown in Petitioner's Exhibit No. SEA-2, after a decade of very stable (and low)
23 gas prices, the market has spiked several times, and prices in general have risen
24 dramatically. In this price environment, with ongoing sensitivity to influences such
25 as hurricanes and increasing gas fired electric generation, the cost of UAFG
26 volumes is in many respects beyond Vectren North's reasonable control. While
27 the Company can take measures to control its UAFG percentage, it cannot control
28 the market price of gas. Because the actual cost of gas is the key variable in the
29 makeup of UAFG costs, such costs should be tracked, with any variance from
30 base rate recovery recovered or passed back to customers in the GCA.
31

32 **Q. Please discuss why Vectren North believes this proceeding, at this point in**

time, is the appropriate venue to change the manner in which UAFG costs are recovered.

A. Prior to the year 2000, when market prices were much more stable and much lower, the relative uncertainties associated with base rate recovery of UAFG costs had minimal impact on both customers and the Company. However, in an era of volatile and high market prices, Vectren North believes it is all the more appropriate that neither the Company nor customers are at risk for variances from fixed UAFG costs included in base rates. The risk of over recovery of UAFG costs should not be borne by customers when many have difficulty paying their bills. Under recovery results in lower earnings for the Company. As discussed previously, Vectren North is currently authorized to recover UAFG costs only through a fixed volumetric component of the distribution charge. The existing GCA process is an efficient means of recovering or refunding variances from base rate recovery of UAFG costs, along with other gas costs.

Q. How will such a change in UAFG cost recovery impact customers?

A. Under the Company's proposal, customers will pay the actual cost of UAFG. Such costs are real and expected in the gas utility industry; otherwise recovery would not have traditionally been included in Vectren North's base rates. In the event market prices are less than the pro forma cost of gas in a rate case, and the Company's UAFG percentage remains constant or improves, customers will actually pay a lower GCA under this proposal than if UAFG costs were recovered only in base rates.

Q. Under Vectren North's proposal, what is the impact on customers if market prices are higher than the pro forma cost of gas?

A. Once again, customers will pay only actual UAFG costs. Under Vectren North's proposal, regardless of how market prices may fluctuate customers are not at risk of overcompensating the Company for these costs if gas prices fall, and the Company is not at risk of under recovering these costs in the event gas prices increase.

Q. How are UAFG costs recovered in other jurisdictions?

A. Vectren North has investigated UAFG cost recovery throughout the United States, and has learned that commission-regulated gas utilities in at least 38 states currently recover UAFG costs in their respective purchased gas cost adjustment mechanisms. Additionally, Vectren North is aware of one other utility in another state which recovers UAFG costs in this manner. Petitioner's Exhibit No. SEA-3 lists these jurisdictions.

Q. How would Vectren North's GCA filings change under the Company's proposal?

A. The changes to Vectren North's quarterly GCA schedules, illustrated in Petitioner's Exhibit No. SEA-4, would be as follows:

- a. First, the estimated base rate component of UAFG costs will be deducted from total estimated gas costs on Schedule 1. Currently, all estimated UAFG costs are deducted on Schedule 1.
- b. Second, Schedule 11 will be modified. Currently, Schedule 11 calculates the actual cost of UAFG, which is deducted on Schedule 6. As proposed, Schedule 11 will identify the Order Granted recovery of UAFG costs for Rates 210 and 220, adjusted for new customers consistent with the determination of the Sales Reconciliation Component ("SRC") of the Energy Efficiency Rider approved by the Commission in Cause No. 43046. As is the case with the SRC, changes in the number of customers from Order Granted levels impacts the respective margin recovered. The new customer adjustment will be determined on Schedule 11, Page 2 of 3, by multiplying the SRC change in customer count for the applicable month by the monthly UAFG cost per customer, based on the number of customers in each Rate Schedule in this proceeding. The Adjusted Order Granted UAFG Costs calculated on page 2 of 3 will then be added to base rate UAFG costs recoveries from Rate 240 customers. The sum of the Adjusted Order Granted UAFG costs and the Rate 240 UAFG cost recoveries will be deducted from the GCA on Schedule 6, since these costs are recovered as part of the SRC.

1 c. Finally, as described above, the Total UAFG Cost Recoveries as
2 determined on Schedule 11, page 2 of 3 will be deducted on Schedule 6,
3 line 11.
4

5 **Q. Will there be any other changes to Vectren North's GCA filings with respect**
6 **to UAFG?**

7 A. Yes. Annually Vectren North files Schedule 11B - Annual Unaccounted For
8 Adjustment ("Annual UAF Adjustment"), which re-prices at the annual weighted
9 average commodity cost of gas the actual UAFG volumes over a 12-month period
10 ending August 31. In fact, it was gas price volatility that prompted Vectren North
11 to propose the Annual UAF Adjustment. The Commission authorized this
12 adjustment for an interim two-year period in Cause No. 37394-GCA85 on
13 February 23, 2005. Vectren North filed its first Annual UAF Adjustment in GCA89,
14 for the 12 months ended August 31, 2005. Vectren North's second Annual UAF
15 Adjustment was filed in GCA93 for the 12 months ended August 31, 2006, along
16 with a proposal to continue the Annual UAF Adjustment. Because actual UAFG
17 costs will be tracked under Vectren North's proposal, the inclusion of the Annual
18 UAF Adjustment once each year in the GCA would no longer be necessary.
19

20 **Q. Does Vectren North also propose to add the cost of company use volumes**
21 **to GCA recovery?**

22 A. Yes. Currently, Vectren North includes gas volumes used in a number of
23 operations functions as part of UAFG. Unlike most unaccounted for volumes,
24 these volumes are now either metered or can be determined with a reasonable
25 degree of accuracy. Therefore, while the associated gas costs are still
26 recoverable, these volumes are no longer "unaccounted for". For this reason, the
27 Company is proposing to change how the cost of the company use component of
28 UAFG is recovered.
29

30 **Q. Please describe how these volumes are used in operations.**

31 A. Throughout the remainder of my testimony, I will define "Company Use Volumes"
32 as follows: "Metered volumes used at pressure regulator stations throughout the

1 system to pre-heat gas prior to pressure reductions; metered volumes used in
2 various stages of underground storage field operations (including compressor
3 operation and dehydration and desulfurization processes); and gas naturally lost
4 in the Company's underground storage fields (which, based on engineering
5 estimates, is determined as approximately two (2) percent of volumes injected
6 into underground storage)." Currently, all these volumes contribute to the
7 Company's UAFG percentage.
8

9 **Q. Would recovery of these costs in the GCA require changes or additions to**
10 **the current GCA schedules?**

11 A. Yes. The cost of Company Use Volumes can be identified and, rather than
12 removed from the GCA, be left in the GCA for recovery. These costs can be both
13 projected and reconciled via new and revised GCA schedules.
14

15 **Q. How will this change impact the Company's current UAFG percentage?**

16 A. Historically, the Company's UAFG percentage, including Company Use Volumes,
17 is 0.7%. However, because under the Company's proposal a portion of those
18 UAFG volumes (the Company Use Volumes) will be recovered in the GCA, the
19 UAFG percentage to be included in base rates would be lower. Based on the
20 Company's analysis of Company Use Volumes in recent years, the UAFG
21 percentage would be reduced to 0.5%. This UAFG percentage would be used to
22 establish the base rate component of UAFG costs in this proceeding.
23

24 **Q. Would the UAFG percentage attributable to deliveries to the Company's**
25 **system on behalf of transportation customers also be reduced to 0.5%?**

26 A. In this proceeding, yes. The Company further proposes that the UAFG
27 percentage applicable to transportation customers continue to be subject to future
28 annual reviews, and that Company Use Volumes would continue to be excluded
29 in that analysis.
30

31 **Q. Do transportation customers currently compensate the Company for**
32 **Company Use Volumes?**

1 A. Yes, via retention of a percentage of volumes delivered to the Company's system
2 as per the Tariff.
3

4 **Q. If the actual level of recoverable costs will not change, is it necessary to**
5 **separate Company Use Volumes from UAFG volumes?**

6 A. From a cost recovery perspective it is not necessary. However, given that the
7 data is available, the Company believes that the Commission and other parties
8 will, over time, prefer this level of greater detail and, as a result, more specificity
9 around what is truly UAFG.
10

11 **Q. How will transportation customers pay for Company Use Volumes under the**
12 **company's proposal?**

13 A. Vectren North proposes that all costs of Company Use Volumes, including those
14 for which transportation customers are responsible, be recovered in the GCA.
15 The Tariff provides for a GCA applicable to transportation rate schedules; while
16 that GCA per therm is typically zero (\$0.00), Vectren North believes it is
17 reasonable to track the cost of Company Use Volumes in this manner.
18

19 **Q. Have you prepared GCA schedules that will allow the cost of Company Use**
20 **Volumes to be tracked?**

21 A. Yes. Petitioner's Exhibit No. SEA-4 includes the illustrative schedules to be filed
22 quarterly in the GCA in order to implement GCA recovery of the cost of Company
23 Use Volumes. The projection and reconciliation of a GCA applicable to
24 transportation customers have been incorporated in these pro forma schedules.
25 The projections for transportation customers are identified on Schedule 1, page 3
26 of 3. These costs are then deducted on Schedule 1, page 1 so they are not
27 included in the GCA applicable to sales customers; this ensures that the
28 estimated costs of Company Use Volumes attributable to sales customers remain
29 in the GCA.
30

31 The reconciliation of Company Use Volumes for transportation customers is
32 determined on Schedules 9B, 9C and 6A. The variances shown on Schedule 6A

are then allocated to subsequent GCAs on Schedule 12E. Company Use Volumes attributable to sales customers are determined on Schedules 9B and 9C, and are then reflected on Schedule 11, page 1 of 3.

Q. How will Vectren North keep the Commission apprised of its UAFG percentage?

A. Vectren North will continue to report its actual annual UAFG percentage, volumes, and costs (for twelve months ending August) on Schedule 11A. This schedule is filed once each year in the GCA which reconciles gas costs for the month of August. Schedule 11A will allow the Commission and other interested parties an ongoing opportunity to review the reasonableness of Vectren North's level of UAFG. Schedule 11A will also allow the Commission and other parties to audit UAFG costs along with other gas costs, providing an additional safeguard for customers that these costs are being well managed.

Q. Under its current rate design, without UAFG cost tracking, if the Company is able to reduce its UAFG percentage then isn't it assured of over recovering UAFG costs?

A. No, and the following simple example illustrates why this is not the case. In this example, assume:

- 1) the pro forma commodity cost of gas in the most recent Vectren North rate case was \$6.01 per Dth;
- 2) actual sales volumes and pro forma sales volumes in the most recent rate case are equal at 60,000,000 Dth;
- 3) Vectren North is able to manage a reduction in its percentage of UAFG from 0.7% (423,000 Dth) to 0.6% (362,000 Dth).

If gas costs were constant during the year, at the pro forma commodity cost of gas, and UAFG costs are recovered only in base rates, Vectren North would over recover UAFG costs (by over \$366,000 in this example) because actual UAFG volumes were less than anticipated in the rate design. This is illustrated in

1 Petitioner's Exhibit No. SEA-5, page 1 of 4. However, if in the same year the
2 actual commodity cost of gas was \$2.00 per Dth more than the pro forma
3 commodity cost of gas, Vectren North would actually under recover these costs
4 from customers by more than \$357,000, even though it had improved its UAFG
5 percentage. This scenario is illustrated in Petitioner's Exhibit No. SEA-5, page 2
6 of 4.

7
8 **Q. How would the Company's recovery of UAFG costs be impacted if its UAFG**
9 **percentage in future years does not change, but commodity gas costs are**
10 **less than the pro forma commodity cost of gas in this proceeding?**

11 A. Petitioner's Exhibit No. SEA-5, page 3 of 4 illustrates this scenario. The UAFG
12 percentage is held constant and gas costs are \$2.00 less than the pro forma
13 commodity cost of gas in this proceeding. In this example, customers would over
14 fund UAFG costs by \$604,000.

15
16 **Q. Under its current method of UAFG cost recovery, is it possible that Vectren**
17 **North might not under recover UAFG costs even if its UAFG percentage**
18 **were to increase?**

19 A. Yes. If gas costs were to fall below the pro forma level, the Company could
20 actually over recover UAFG costs from customers even as its UAFG percentage
21 was increasing. An example of this scenario is illustrated in Petitioner's Exhibit
22 No. SEA-5, page 4 of 4. In this example, the UAFG percentage increases from
23 0.5% to 0.6% while gas costs are \$2.00 per Dth less than the pro forma
24 commodity cost of gas. As shown, the result is an over recovery of more than
25 \$243,000.

26
27 **Q. What conclusions can you draw from these examples?**

28 A. While these examples are intended to be illustrative only, they clearly
29 demonstrate that as long as UAFG costs are included in base rates, with no
30 tracking and with the rate case pro forma commodity cost of gas as their basis, it
31 is nearly a certainty that these gas costs will be either over or under recovered.
32 Unlike other costs included in base rates, these gas costs are both volatile and

1 beyond the Company's reasonable control. The GCA mechanism can and should
2 be used to ensure that neither customers nor the Company are placed at risk for
3 these market driven costs.
4

5 **Q. What is the impact on customers if Vectren North's proposal to track UAFG**
6 **costs in the GCA is not approved?**

7 A. Vectren North is proposing a pro forma commodity cost of gas of \$8.01 per Dth in
8 this proceeding. Having this high level of gas costs, which reflects current market
9 conditions, embedded in the Company's UAFG component of base rates is
10 unprecedented. This pro forma commodity cost is over 33% higher than the
11 commodity cost of gas in current rates (\$6.01 per Dth), and Vectren North
12 believes that unpredictable market price volatility will continue to be an issue
13 going forward. If UAFG costs continue to be recovered only in base rates, without
14 tracking, such volatility is potentially detrimental to customers. If gas prices were
15 to fall prospectively, this price would be locked into base rates, and Vectren North
16 would be unable to use the GCA mechanism to pass along to customers the
17 benefits of such lower gas prices. Furthermore, any improvements in UAFG
18 percentage that may be derived from Vectren North's proposed accelerated main
19 replacement program (as discussed by Petitioner's Witness James M. Francis),
20 which would otherwise reduce UAFG costs to sales customers, would not be
21 passed on to those customers until such time as base rates are updated in a
22 future base rate proceeding.
23

24 **Q. Are you familiar with the Commission's orders in Cause No. 37091?**

25 A. Yes.
26

27 **Q. What did the Commission determine in Cause No. 37091 with respect to**
28 **recovery of UAFG costs?**

29 A. The Commission found that the appropriate level of UAFG is more properly
30 determined in a general rate proceeding, as opposed to a summary proceeding,
31 and that changes in the cost of UAFG should not be tracked in the GCA.
32

1 **Q. What reasons did the Commission cite for its conclusion?**

2 A. The Commission concluded that:

- 3 • the recovery of UAFG costs in the GCA would tend to diminish the
- 4 incentive for utilities to reduce the level of UAFG (see August 3, 1983
- 5 Order at page 9);
- 6 • the maximum 60 day period in which GCA filings may be reviewed places
- 7 too much of a procedural restriction upon the Commission to allow for a
- 8 proper inquiry into the cause and proper Commission response to UAFG
- 9 as a part of the GCA mechanism (see May 14, 1986 Order at page 5).

10
11 **Q. Does Vectren North believe these conclusions are applicable to the current**
12 **environment?**

13 A. No.

14
15 **Q. Do you agree that Vectren North's incentive to reduce UAFG levels would**
16 **be diminished if UAFG costs were tracked in the GCA?**

17 A. No. Irrespective of issues directly related to the cost of UAFG, utilities such as
18 Vectren North have sufficient incentive to control and improve their UAFG levels.
19 For example, managing leaks effectively and ensuring accurate gas measurement
20 are part and parcel to Vectren North's operational objectives. Effective leak
21 management ensures a safe operating environment for employees, customers
22 and the general public. The goal of meter inspection and maintenance programs
23 is to ensure customers receive accurate bills, consistent with their consumption.
24 Absent these kinds of programs, safety in general can be potentially
25 compromised, and customer satisfaction is placed at risk. Currently, Vectren
26 North's monthly and 12-month rolling UAFG volume and percentage is reviewed
27 each month by Operations personnel. If the monthly percentage or trend varies
28 significantly from past or expected performance, a cross-functional group is
29 convened to review results and investigate variances. This group is made up of
30 representatives of Accounting, Measurement, Operations, and others as
31 necessary. Vectren North will continue to manage UAFG diligently, and has
32 sufficient incentive to control UAFG even under a rate design that tracks UAFG

1 costs in the GCA. Moreover, Vectren North would agree to ongoing Commission
2 oversight of its UAFG percentage and, as discussed below, the ability for the
3 Commission to adjust gas cost recovery if its UAFG percentage is determined to
4 be unreasonable.

5
6 With respect to cost control, the Commission concluded in Cause No. 37091 that,
7 when UAFG costs are recovered in base rates and the actual level of UAFG
8 increases above the base level, the additional cost is un-recovered, while if the
9 actual level decreases a utility realizes a profit. (See May 14, 1986 Order at page
10 4.) However, as shown in the examples in Petitioner's Exhibit No. SEA-5, it is
11 not necessarily true that a utility will under recover UAFG costs if its actual UAFG
12 percentage increases, nor will it necessarily realize a profit if it improves its level
13 of UAFG. While that may have been true at a time when gas costs were fairly
14 stable, it is certainly not the case in today's volatile market. Further, in a scenario
15 where that conclusion is accurate, that profit would be in the form of an over
16 recovery of gas costs from customers. Vectren North does not believe it should
17 be "incented" to improve its UAFG percentage at the expense of customers,
18 particularly at a time when gas costs are high. On the contrary, Vectren North
19 believes that if its UAFG costs decrease, whether as a result of falling gas prices
20 or of improvements in its level of UAFG, that gas cost reduction should be passed
21 on to customers.

22
23 Finally, if approved, the accelerated main replacement program described by Mr.
24 Francis would over time eliminate the sources of a significant percentage of the
25 Company's leaks. This demonstrates that Vectren North is clearly willing to take
26 proactive steps to reduce UAFG.

27
28 **Q. How does Vectren North propose to address the Commission's concern**
29 **that the 60-day procedural restriction in the GCA does not allow sufficient**
30 **time for UAFG review?**

31 **A.** Vectren North believes the Commission and other parties should be given ample
32 time to review the Company's level of UAFG, and that it is not necessary to draw

conclusions about the level of UAFG in the same GCA proceeding in which Vectren North reports its annual UAFG percentage. As discussed previously, the Company will continue to file Schedule 11A annually in the GCA when the gas costs for the month of August are reconciled. Vectren North believes the Commission could make any necessary findings with respect to the Company's UAFG in the next subsequent GCA. The review could include an evaluation of the reasonableness of the Company's UAFG percentage for the previous twelve month period ending August. At the point in time the Commission makes its UAFG finding, the reasonableness of the gas costs associated with the same twelve-month period will have been determined. To the extent the Commission takes issue with Vectren North's UAFG percentage, any necessary adjustment could be made in future GCA filings. It is important to emphasize that the potential outcomes of such a review are not symmetrical. Vectren North does not expect the Commission to determine that the Company's level of UAFG is "too reasonable" or "too low"; as such, any adjustment to the GCA would likely be in the form of a refund of gas costs to customers.

Q. If Vectren North's proposal on UAFG cost recovery is approved, is there a need to examine the Company's level of UAFG in this proceeding?

A. Yes. The UAFG percentage determined in this or any base rate proceeding will be applicable, until further revised and approved by the Commission, to volumes of gas delivered to the Vectren North system by, or on behalf of, transportation customers.

Q. What effective date do you propose for the tracking of UAFG costs through the GCA?

A. Vectren North proposes that Total UAFG Cost Recoveries be matched to actual UAFG costs incurred on and after the effective date of new rates in this proceeding.

II. Gas Cost Component of Bad Debt Expense

1 **Q. What is Vectren North's proposal with respect to recovery of bad debt**
2 **expense?**

3 A. Vectren North is proposing to track the difference between the actual and base
4 rate gas cost component of bad debt expense, and include this difference in its
5 quarterly GCA filings.
6

7 **Q. How does Vectren North propose to recover the non-gas cost component of**
8 **bad debt expense?**

9 A. Vectren North proposes to continue to recover the non-gas cost component of
10 bad debt expense in base rates. Petitioner's Witness M. Susan Hardwick
11 identifies the appropriate level of bad debt expense to be included in base rates in
12 this proceeding.
13

14 **Q. What is Vectren North's basis for this proposal?**

15 A. The GCA is intended to provide utilities timely recovery of the total cost of gas
16 purchased for delivery to customers and ensure that customers do not over- or
17 under-pay for gas costs. As more fully described in Vectren North's Tariff, Sheet
18 No. 30, as proposed in this proceeding, the GCA is used to recover the following
19 costs, as reviewed and approved by the Commission:

- 20 1. Demand, commodity and other costs of gas supply purchased from
21 pipelines and other suppliers.
- 22 2. Demand, commodity and other costs of pipeline transportation service.
- 23 3. Demand, commodity and other costs of leased gas storage and related
24 transportation costs.
- 25 4. The net cost of gas injected into and withdrawn from storage.
- 26 5. The various costs of propane supply.
- 27 6. Pipeline Take-or-Pay Charges and Transition Costs, and any like charges.
- 28 7. Applicable taxes, including Indiana Utility Receipts Tax.
- 29 8. All other costs approved for Gas Cost Adjustment recovery by the
30 Commission.
31

32 As a local distribution company ("LDC"), Vectren North incurs gas costs to ensure

reliable delivery of gas to all customers. The GCA, in its current form, determines whether gas costs have been recovered by evaluating sales volumes in any particular period. The GCA assumes that volumes sold to customers are paid for by customers. However, when customers do not, or cannot, pay their bills, and when efforts to collect arrearages fail and amounts owed to the Company are written off, a significant portion of those amounts -- about 70% of the total bill in the current price environment -- are in fact gas costs that have not been, and will not be, recovered.

In the past, when gas prices were more stable (and lower) than they are today, gas costs were a much less significant component of the total customer bill. In the current environment, gas costs are the major component of the bill -- and therefore the major component of bad debt expense. It also follows, as discussed by Ms. Hardwick, that higher gas costs lead to higher levels of bad debt expense.

Q. What is the definition of "gas costs" in the GCA statute?

A. Indiana Code (IC 8-1-2-42(g)) states:

"...Gas costs or cost of gas may include the gas utility's costs for gas purchased by it from pipeline suppliers, costs incurred for leased gas storage and related transportation, costs for supplemental and substitute gas supplies, costs incurred for exploration and development of its own sources of gas supplies and other expenses relating to gas costs as shall be approved by the commission."

Based on my experience with regulation, cost recovery and the GCA process, in my opinion the language in the statute does not contain any exclusion of the gas costs associated with bad debt expense, based on the definition of gas costs recoverable in the GCA. Furthermore, IC 8-1-2-42(g)(3)(D) allows a utility to recover all of its gas costs. The statute provides that the Commission may grant the gas utility the requested gas cost charge if it finds that, among other things:

1 “(D) The utility’s estimate of its prospective average gas costs
2 for each such future recovery period is reasonable and gives effect to:
3 (i) the actual gas costs experienced by the utility during the latest
4 recovery period for which actual gas costs are available; and
5 (ii) the actual gas costs recovered by the adjustment of the same
6 recovery period.”
7

8 In other words, the statute authorizes a gas utility to estimate gas costs for the
9 future recovery period, and to reconcile actual gas costs experienced to actual
10 gas costs recovered. Again, as currently applied, the GCA assumes that all gas
11 costs billed to customers are paid by customers. When bills go unpaid by
12 customers, the utility does not recover all of its gas costs. In such cases, the
13 “actual gas costs recovered by the adjustment of the same recovery period”, as
14 determined currently in the GCA, are overstated.
15

16 **Q. Please discuss Vectren North’s current method of recovery of bad debt**
17 **expenses.**

18 **A.** Currently, Vectren North’s costs related to bad debt are recovered only in base
19 rates. The amount of bad debt expense included in the Company’s current base
20 rates was determined by multiplying the pro forma revenue (cost of gas and
21 margin) by the ratio of bad debt expense to revenue in the test year in Vectren
22 North’s most recent general rate case. The pro forma cost of gas, unlike actual
23 gas costs, is a static value. As described in my proposal for recovery of UAFG
24 costs, many conditions affect the actual market price of gas, and as evidenced by
25 the recent past these conditions can result in extreme market price volatility. As
26 such, the total cost of bad debt is in many respects beyond Vectren North’s
27 reasonable control. Even though the Company takes measures to manage its
28 percentage of bad debt, it cannot control the market price of gas. The actual cost
29 of gas is the primary component of bad debt expense. Such costs should be
30 tracked in the GCA.
31

32 As is the case with UAFG costs, as long as bad debt gas costs are included only

in base rates (with no tracking of gas cost variances), it is nearly a certainty that these costs will be either over or under recovered. And just like UAFG costs, bad debt gas costs are both volatile and beyond the Company's reasonable control. Gas costs are the primary component of bad debt expense, and actual gas costs are a function of the marketplace. The GCA mechanism can and should be used to ensure that neither customers nor the Company are placed at risk for these market driven costs.

Q. How will such a change in the method of bad debt gas cost recovery impact customers?

A. Customers will pay the actual gas cost component of bad debt expenses. Much like UAFG costs, bad debt expenses are recognized as real and expected in the gas utility industry; otherwise recovery would not have traditionally been included in base rates. In the event market prices are less than the pro forma cost of gas in a rate case, and Vectren North's bad debt percentage remains constant or improves, customers will actually pay less bad debt expense, via a lower GCA, under the Company's proposal.

Q. Under Vectren North's proposal, what is the impact on customers if market prices are higher than the pro forma cost of gas?

A. Once again, customers will pay only the actual gas cost component of bad debt expense. Regardless of how market prices may fluctuate customers will not be at risk of overcompensating the Company for these costs if gas prices fall, and the Company will not be at risk of under recovering these costs in the event gas prices increase. The Company's proposal is most equitable in dealing with these gas costs.

Q. How would Vectren North's GCA filings change under this proposal?

A. Petitioner's Exhibit No. SEA-4 shows an example of how the revised schedules will be presented in the GCA. A new schedule 12D would be filed to show the reconciliation of recoverable bad debt gas costs to Adjusted Order Granted bad debt gas costs attributable to Rate 210 and 220 customers, similar to the way

1 approved UAFG recoveries would be determined on Schedule 11 as described
2 previously. The new customer adjustment will be determined on Schedule 12D,
3 Page 3 of 4, by multiplying the SRC change in customer count for the applicable
4 month by the monthly bad debt gas cost per customer, based on the number of
5 customers in each Rate Schedule in this proceeding. Bad debt gas cost
6 recoveries from Rate 240 customers will then be added to the Adjusted Order
7 Granted Bad Debt Gas Costs, with the sum compared to the gas cost component
8 of actual write-offs on Schedule 12D, Page 2 of 4. The variance would then flow
9 to Schedule 12D, Page 1 of 4. Just as commodity and demand costs are
10 reconciled currently, variances will be allocated to the next four GCA periods.
11 These variances would then flow through the GCA on Schedule 6 (line 15), just as
12 commodity and demand variances are treated currently.

13
14 **Q. How will Vectren North keep the Commission apprised of its bad debt**
15 **percentage?**

16 A. Vectren North will report to the Commission by February 15 of each year its actual
17 bad debt experience for the 12 months ended December 31 of the preceding
18 year, so that the Commission and other interested parties may have an
19 opportunity to review the reasonableness of the Company's level of bad debt
20 expense.

21
22 **Q. What is the impact on customers if Vectren North's proposal to track the**
23 **gas cost component of bad debt expense in the GCA is not approved?**

24 A. Vectren North is proposing a pro forma cost of gas of \$9.016 per Dth (\$8.010 per
25 Dth commodity and \$1.006 per Dth demand) in this proceeding. As is the case
26 with my previous discussion of UAFG costs, having this high level of gas costs,
27 which reflects current market conditions, embedded in the Company's bad debt
28 component of base rates (over 30% more than the cost of gas in current rates) is
29 unprecedented. Market price volatility can potentially benefit customers under
30 Vectren North's proposal if the gas cost component of bad debt expense is
31 tracked in the GCA. If the Company's proposal is not approved, this price would
32 be locked into base rates; if gas prices were to then fall prospectively Vectren

1 North would be unable to use the GCA mechanism to pass along to customers
2 any reductions in the gas cost component of bad debt expense.

3
4 **Q. What effective date do you propose for the tracking of bad debt gas costs**
5 **through the GCA?**

6 A. Vectren North proposes that Total Bad Debt Gas Cost Recoveries be matched to
7 the actual gas cost component of bad debt expense occurring on and after the
8 effective date of new rates.

9
10 **III. Distribution Replacement Adjustment**

11
12 **Q. What is Vectren North's proposal regarding recovery of capital costs**
13 **associated with the accelerated replacement of cast iron mains and bare**
14 **steel mains and service lines?**

15 A. Vectren North is requesting approval of a Distribution Replacement Adjustment
16 ("DRA") to track these capital costs. Vectren North will make annual filings with
17 the Commission to recover a return of and on these investments in infrastructure
18 replacement projects until such time as they are included in base rates.

19
20 **Q. Why is Vectren North proposing such a recovery mechanism?**

21 A. As is more fully described by Mr. Francis, the accelerated bare steel and cast iron
22 pipeline replacement program ("the Program") involves sizable, incremental
23 investments in non-revenue producing plant that will provide a number of benefits,
24 including a reduction of future maintenance expenses. Because the Program
25 requires investments beyond Vectren North's normal annual capital investment in
26 system replacement, timely recovery of these investments is critical. Absent this
27 mechanism, the Company cannot engage in this heightened level of investment
28 and withstand the regulatory lag that would accompany traditional base rate
29 treatment/recovery of investments of this magnitude.

30
31 **Q. Are similar recovery mechanisms, for similar programs, in place in other**
32 **jurisdictions?**

1 A. Yes. A number of gas utilities in other jurisdictions have recognized the need to
2 focus more attention on this issue, and have received approval from their
3 respective regulatory commissions to accelerate replacement of similar aging
4 infrastructure and implement a mechanism to recover the costs outside a base
5 rate proceeding. Other utilities recover these costs under "rate stabilization", a
6 rate design mechanism that, in addition to decoupling a utility's profits from its gas
7 throughput, adjusts rates to meet pre-established revenue and return targets via
8 expedited revenue requirement and cost of service studies. Finally, utilities in the
9 state of Texas have the opportunity under legislation to apply for approval to
10 recover these types of costs under a Gas Reliability Infrastructure Program
11 ("GRIP") approved in 2003 by the Texas legislature. Such utilities and their
12 various recovery mechanisms, of which Vectren North is aware, are listed in
13 Petitioner's Exhibit No. SEA-6.

14
15 **Q. Please describe the recovery mechanism Vectren North proposes.**

16 A. Vectren North proposes a mechanism that is similar to that used at Vectren South
17 to recover investments in clean coal technology at electric generating plants. The
18 QPCP mechanism for recovery of construction costs, with which the Commission
19 is familiar, can be modified slightly to achieve the desired result. The proposed
20 DRA revenue requirement methodology is more fully described by Ms. Hardwick.

21
22 **Q. What is Vectren North's proposal for submitting its annual construction
23 plans to the Commission?**

24 A. Vectren North proposes to submit its annual construction plans under the
25 Program so that the Commission may become familiar with the projects
26 contemplated for the coming year. As the DRA process gets underway, Vectren
27 North will submit its construction plan for 2008 by November 1, 2007. For 2009
28 and beyond, Vectren North proposes to submit its construction plans on May 1 of
29 the preceding year. In this manner, the Commission can be apprised of progress
30 on the replacement of this old infrastructure and provide further input on Vectren
31 North's conduct of the Program.

32

1 **Q. When, and how frequently, will the DRA filings be made?**

2 A. DRA filings will be made annually by May 1 of each year, and will reflect activity
3 for the most recent calendar year. At the same time, as described above, the
4 Company's construction plan for the next calendar year will be submitted to the
5 Commission. Vectren North proposes that the DRA become effective on
6 September 1 of each year.
7

8 **Q. What information will be included in the annual DRA filings?**

9 A. Vectren North will report to the Commission the following information for the
10 previous calendar year:

- 11 1) Investment in infrastructure replacement under the Program,
- 12 2) Pipe mileage replaced (by type),
- 13 3) Revenue requirement (including reconciliation of revenue requirement
14 recovery for a prior period), and
- 15 4) Derivation of rates for the prospective recovery period (September 1
16 through August 31).
17

18 **Q. How will the maintenance savings attributable to the Program be reflected
19 in the determination of the revenue requirement in the annual DRA filings?**

20 A. As described by Mr. Francis, Vectren North expects its annual maintenance
21 expenses to be reduced by about \$890,000 per year once the Program is
22 completed. The total maintenance savings, when allocated to the existing 774
23 miles of cast iron and bare steel main in the Company's distribution system,
24 equates to approximately \$1150 per mile. Vectren North will reduce the revenue
25 requirement in each annual DRA filing by \$1150 per cumulative total mile of cast
26 iron and bare steel main replaced since the inception of the Program.
27

28 **Q. Can you provide an example?**

29 A. Yes. Suppose during the first year of the Program, a total of 39 miles of cast iron
30 and bare steel mains are replaced. In the DRA filing for the first year, the revenue
31 requirement would be reduced by \$44,850 (\$1150 times 39 miles replaced).
32 Suppose then that in the second year of the Program, another 39 miles of cast

1 iron and bare steel mains are replaced. In the DRA filing for the second year, the
2 revenue requirement would be reduced by \$89,700 (\$1150 times 78, the
3 cumulative total mileage replaced). In this manner, beneficial replacement of this
4 infrastructure occurs, and cost savings are immediately passed on to customers.
5

6 **Q. How will the Program costs be allocated to the various Rate Schedules?**

7 A. The costs of the program will be allocated to the Rate Schedules based on the
8 distribution mains allocation in Vectren North's most recent cost of service study.
9 Petitioner's Witness Kerry A. Heid sponsors the cost of service study in this
10 proceeding.
11

12 **Q. Please describe how the DRA rates to be charged to customers will be**
13 **determined.**

14 A. The pro forma filing schedules for the DRA, including those schedules to be
15 sponsored by Vectren North's accounting witness in DRA proceedings, are shown
16 in Petitioner's Exhibit No. SEA-7. The schedules as shown are for illustrative
17 purposes only.
18

19 Page 1 of 12 is the proposed DRA tariff sheet. Page 2 of 12 lists the rate
20 schedule distribution mains allocation factors determined in the most recent base
21 rate proceeding (the percentages shown are those proposed in this proceeding),
22 which is the proposed basis for recovery under the DRA. Page 3 of 12 shows the
23 derivation of the DRA by rate schedule. The rate schedule allocation factors from
24 page 2 of 12 are multiplied by the total revenue requirement (page 12 of 12) to
25 determine the allocated revenue requirement by rate schedule. The allocated
26 revenue requirement for each rate schedule is then divided by the Company's
27 most recent estimate of annual volumes for each rate schedule to determine the
28 DRA per therm for each rate schedule. Page 4 of 12 shows the impact of the
29 proposed DRA on customers' bills. Pages 5 through 9 of 12 show the
30 methodology for reconciling the recovery of the revenue requirement for prior
31 periods and determining the appropriate adjustment to the revenue requirement.
32 The reconciliation methodology is as follows:

1
2 In each annual filing, Vectren North will file RATES Schedule 5, as shown on
3 Page 5 of 12. The purpose of this schedule is to identify the recoveries applicable
4 to the periods September through December and January through August during
5 the twelve months the DRA is in effect.

6
7 In the second annual filing, Vectren North will file a second page under RATES
8 Schedule 5, as shown on Page 7 of 12. The purpose of this schedule is to
9 determine the revenue requirement recovery variance applicable to the effective
10 period (in this case, September through December) in order to make an
11 adjustment to the revenue requirement. As shown on Page 7 of 12 for illustrative
12 purposes, the variance to be determined in the second annual filing is applicable
13 only to four months, recognizing that the DRA will have taken effect in September
14 of the prior year.

15
16 In the third and subsequent annual filings, Vectren North will continue to file
17 Pages 1 and 2 of Schedule 5 (shown as Pages 8 of 12 and 9 of 12). As illustrated
18 on Page 9 of 12, the variance is computed as the difference between actual and
19 approved recoveries from the first annual filing (as determined on Page 5 of 12
20 and shown on line 15) for the period January through August, and the difference
21 between actual and approved recoveries from the second annual filing (as
22 determined on Page 6 of 12 and shown on line 16. Any variance on line 18 will
23 flow to ACCOUNTING Schedule 3, line 12 as an adjustment to the revenue
24 requirement.

25
26 Ms. Hardwick describes the remaining (ACCOUNTING) schedules in Petitioner's
27 Exhibit No. SEA-7 in her supplemental direct testimony.

28
29 **Q. What is the expected margin impact of the Program on customers?**

30 A. The estimated margin impact on all customers to which the proposed DRA is
31 applicable is shown on Petitioner's Exhibit No. SEA-8, and is based on the
32 estimated costs associated with the Program as described by Mr. Francis.

1
2 **Q. What is the expected impact of the Program on residential customers' bills?**

3 A. The estimated residential customer bill impacts are shown on Petitioner's Exhibit
4 No. SEA-9, and are also based on the estimated costs associated with the
5 Program described by Mr. Francis.
6

7 **Q. How will the DRA be determined after orders in subsequent Vectren North**
8 **base rate proceedings are approved by the Commission?**

9 A. As described by Ms. Hardwick, investments under the Program will be included in
10 base rates at the time Vectren North files subsequent requests for changes to its
11 base rates. Once orders in subsequent base rate proceedings are approved, the
12 DRA will be reset to zero and the annual DRA filing/recovery process will begin
13 anew.
14

15 **IV. Deferred Pipeline Safety Expense Recovery**
16

17 **Q. Does Vectren North propose to amortize in base rates expenses deferred**
18 **under its Pipeline Safety Adjustment ("PSA")?**

19 A. Yes. The pro forma adjustment is identified by Ms. Hardwick in Petitioner's
20 Exhibit No. MSH-3, Adjustment A33.
21

22 **Q. What is the basis for inclusion of the deferred expenses in base rates?**

23 A. In its Order in Cause No. 42598, the Commission authorized Vectren North to
24 recover deferred pipeline safety expenses that meet the specified requirements at
25 the time of its next base rate case. Prudently-incurred, incremental, non-capital
26 expenses which are caused by the requirements of the federal Pipeline Safety
27 Improvement Act of 2002 ("eligible expenses") are eligible for recovery (see Order
28 at page 9).
29

30 **Q. When did Vectren North file its first annual application with the Commission**
31 **to update the PSA unit rates?**

32 A. Vectren North filed its first application on September 9, 2005 in Cause No. 42909

1 ("2005 Filing").

2
3 **Q. Please describe the 2005 Filing.**

4 A. In the 2005 Filing, Vectren North sought recovery of \$883,240 of eligible
5 expenses. The recovery requested was less than the annual cap amount of
6 \$2,500,000 authorized in Cause No. 42598.

7
8 **Q. Did Vectren North file a PSA application with the Commission in 2006?**

9 A. No. The Company was in the midst of its first ever operational audit conducted
10 jointly by the federal Pipeline and Hazardous Materials Safety Administration
11 ("PHMSA") and the IURC Pipeline Safety Division of Vectren's overall pipeline
12 integrity management program, and with some input from the Commission
13 decided to delay its next PSA filing in order to progress through the audit process.
14 Mr. Francis discusses the audit in more detail.

15
16 **Q. How did Vectren North develop its pro forma adjustment to base rates
17 related to deferred PSA expenses?**

18 A. The Company considered actual deferrals and recoveries as of the end of the test
19 year in this proceeding, estimated deferrals and recoveries for the twelve months
20 post test year, and estimated recoveries from its anticipated 2007 PSA filing
21 (presumed at the annual cap amount of \$2,500,000) to estimate the deferred
22 balance to be amortized in base rates. Ms. Hardwick identifies the actual and
23 estimated amounts in Adjustment A33.

24
25 **Q. What is Vectren North's position concerning continuation of the PSA?**

26 A. Vectren North intends to file a PSA application in 2007. After that filing has been
27 made, the Commission will have had an opportunity to consider deferred PSA
28 expenses from March 31, 2004 through July 31, 2007 (a period of just over three
29 years). The Company believes the review of the continued use of the PSA should
30 occur after the 2007 PSA filing, as previously ordered by the Commission in
31 approving the settlement in Cause No. 42598, and that a decision concerning
32 continuation of, and the annual cap amount applicable to, the PSA be reached at

1 the conclusion of that review.

2
3 **Q. Does Vectren North propose any changes to the PSA prior to the three year**
4 **review?**

5 A. Yes. Eligible expenses under the PSA are currently allocated to the rate
6 schedules based on the margins per rate schedule approved in Cause No. 42598.
7 Vectren North proposes to use rate schedule margins as updated in this
8 proceeding as the basis for allocating eligible expenses in future PSA filings.
9

10 **V. Tariff**

11 **a. Introduction**
12

13 **Q. Please describe Petitioner's Exhibit No. SEA-10.**

14 A. Petitioner's Exhibit No. SEA-10 is Vectren North's proposed Tariff in this
15 proceeding. A red-lined version of the proposed Tariff, highlighting all proposed
16 changes, has been included as part of the Minimum Standard Filing
17 Requirements ("MSFRs").
18

19 **Q. Is Vectren North proposing to make any administrative changes to the**
20 **Tariff?**

21 A. Yes. Under the Company's current method of numbering tariff sheets, each sheet
22 is first labeled "Original Sheet No. N, Page X of Y". Subsequent revisions are
23 then labeled "First Revised Sheet No. N, Page X of Y", "Second Revised Sheet
24 No. N, Page X of Y", etc. Vectren North proposes a new method of tariff sheet
25 numbering, wherein each tariff sheet would initially be labeled "Sheet No. N,
26 Original Page X of Y". Subsequent revisions would then be labeled "Sheet No. N,
27 First Revised Page X of Y", "Sheet No. N, Second Revised Page X of Y", etc. If
28 this proposed method is implemented, Vectren North would be required to file with
29 the Commission only the pages to which changes have been made, rather than
30 filing each page of a tariff sheet to implement a change on only a single page.
31 Vectren North believes this change will ease administrative burden on both the
32 Commission and the Company.

1
2 **Q. What general changes to the Tariff are being proposed by Vectren North?**

3 A. Vectren North is proposing to update Sheet No. 3 – Locations Served, and to
4 make a number of clarifying changes and additions to Sheet No. 4 – Definitions.
5 The Company is further proposing to replace duplicative language on individual
6 rate schedule tariff sheets with references to the Appendices applicable to the
7 respective rate schedules.
8

9 **Q. What other changes to the Tariff is Vectren North proposing?**

10 A. Beyond the specific changes I will discuss in the following sections of my
11 testimony, other changes have been proposed primarily to improve clarity and,
12 where possible, bring about consistency with Vectren South's Tariff for Gas
13 Service to improve overall Tariff administration and utilization.
14

15 **b. Rate Schedules**
16

17 **Q. Please describe the changes proposed to the Rate Schedules in the Tariff.**

18 A. Vectren North proposes to update the Rates and Charges in the Rate Schedules
19 as proposed in the rate design sponsored by Mr. Heid.
20

21 **Q. Please describe Rate 225 – School Transportation Service.**

22 A. In a June 14, 2006 filing before the Commission, Vectren North proposed a
23 number of new and revised tariff sheets to meet the requirements of H.B. 1006
24 which was enacted earlier in 2006. This filing (the "School Transportation Filing")
25 was approved by the Commission on August 9, 2006. Under Rate 225, Vectren
26 North offers transportation services to any customer that was previously ineligible
27 for such services and for which payment of the Company's rates and charges is
28 the responsibility of an educational institution. In addition to school corporations
29 as required by the legislation, the School Transportation Filing applied to private
30 and post-secondary institutions as well.
31

32 **Q. Are any changes to Rate 225 proposed in this proceeding?**

1 A. Yes. Vectren North is adding language to the Curtailment section of this Rate
2 Schedule to clarify that the Unauthorized Gas Usage Charge set forth in Appendix
3 C is applicable to customers under this Rate Schedule who, during a curtailment
4 period, use gas in excess of the quantity allowed.

5 Vectren North also proposes one additional administrative change. In the School
6 Transportation Filing, Rate 225 is depicted on Tariff Sheet No. 14. In this
7 proceeding Vectren North has shown Rate 225 on Tariff Sheet No. 13.
8 Accordingly, Rate 229 – Natural Gas Vehicle Service (currently Tariff Sheet No.
9 13) is now shown on Tariff Sheet No. 14. This change is proposed so that the
10 Rate Schedules are presented in numerical order in the Tariff.
11

12 **Q. Did the School Transportation Filing also include other new tariff sections?**

13 A. Yes. Rate 285 – School Pooling Service, and Appendix J – School Nomination
14 and Balancing Provisions, were filed along with Rate 225. These tariff sheets
15 were required to facilitate the implementation of transportation service for schools.
16 In addition, Rate 285 was added to the curtailment provisions section of the
17 General Terms and Conditions (Rule 24), and a new charge was added to
18 Appendix C – Other Charges to provide bills summarizing charges for educational
19 institutions. This summary billing feature was also required by H.B. 1006. Finally,
20 Rate 225 was added to other tariff sheets where applicable (for example,
21 Appendix G – Universal Service Fund Rider).
22

23 **Q. Are other changes, related to the School Transportation Filing, being**
24 **proposed in this proceeding?**

25 A. Yes. At the time Rate 285 was filed, it included language making Appendix F –
26 Unaccounted For Gas Percentage applicable to School Suppliers. Vectren North
27 neglected to file Appendix F as part of the School Transportation Filing in June.
28 References to School Suppliers have been added to proposed Appendix F in this
29 proceeding to correct that oversight.
30

31 **Q. Please explain the proposed change to the language regarding the**
32 **requirement for telephone service in the Transportation Rate Schedules,**

Rates 245 (Large General Transportation Service), 260 (Large Volume Transportation Service) and 270 (Long-Term Contract Service).

- A. Vectren North is proposing to add the following sentence to the Measurement Requirement section: "If Customer's telephone line is frequently not available when Company seeks to obtain measurement data, Company may require Customer to provide a dedicated telephone line in order to continue Transportation Service under this Rate Schedule." Many of the telephone lines being provided by transportation customers are not dedicated and are being used for other purposes. Unavailability of the Customer's telephone line prevents the Company from obtaining daily measurement data which is vital for Daily Balancing purposes. This change allows the Company to require a dedicated telephone line only for those customers for whom data availability has been a recurring problem.

Q. What changes have been proposed to Rate 270?

- A. Beyond the new Measurement Requirement section addressing the provision of electric and telephone service, the Company is proposing to remove Sheet No. 19 from the Tariff. Sheet No. 19 currently includes information regarding negotiated rates and charges that both the Company and Rate 270 customers consider confidential in nature. Consistent with removal of Sheet No. 19, certain related language has been removed from the Rates and Charges section on Sheet No. 18.

Q. Are any changes being proposed to Rate Schedule 280 – Pooling Service?

- A. Yes. Vectren North is proposing to assess a \$50 fee to Pool Operators for the initial, and each subsequent, financial evaluation performed by the Company to review the Pool Operator's creditworthiness. This fee will defray a portion of the costs the Company incurs to perform such evaluations. A similar fee was approved as part of Rate 285 – School Pooling Service in the School Transportation Filing.

c. Appendices and Riders

1
2 **Q. Are any changes being proposed to Appendix C – Other Charges?**

3 A. Yes. Vectren North proposes increases to the following Other Charges:

- 4 1) After Hours Charge – increase the charge from \$22.00 to \$69.00;
5 2) Fraudulent or Unapproved Use of Gas charge – increase the charge from
6 \$44.00 to \$70.00;
7 3) Trip and Labor Charges – new charges are proposed for circumstances
8 wherein a customer requests the Company to investigate “no gas” or “low
9 pressure” problems, whereupon it is determined that the source of the
10 problem is not on the Company's system. The proposed Trip Charge is
11 \$16.00 during normal business hours and \$23.00 outside of normal
12 business hours. The proposed Labor Charge is \$12.00 per fifteen (15)
13 minutes during normal business hours and \$17.00 per fifteen (15) minutes
14 outside of normal business hours.
15

16 Mr. Heid describes the increased charges proposed by the Company in his direct
17 testimony.
18

19 **Q. What changes are proposed for Appendix D – Base Cost of Gas?**

20 A. Appendix D reflects the base cost of gas of \$9.016 per Dth in this proceeding:
21 \$8.010 per Dth (Commodity) and \$1.006 per Dth (Demand).
22

23 **Q. Are any changes proposed to Appendix E – Nomination and Balancing
24 Provisions?**

25 A. Yes. A provision has been added to the section on Operational Flow Orders
26 (“OFOs”) on page 5 of 6 allowing the Company to call an OFO either for the entire
27 system or for a specific Operating System.
28

29 **Q. What changes are proposed for Appendix F – Unaccounted For Gas
30 Percentage?**

31 A. Appendix F reflects the current UAFG percentage (0.5%), adjusted for company
32 use volumes as previously discussed, to be applicable to transportation

customers, school suppliers and pool operators.

Q. What changes are proposed to Appendix H – Pipeline Safety Adjustment (“PSA”)?

A. Vectren North proposes to update the rate schedule allocation percentages in this proceeding, as discussed previously in my direct testimony. When the PSA was established in Cause No. 42598, eligible expenses were allocated on the basis of rate schedule margins approved in that proceeding. Vectren North proposes to continue to allocate costs to the Rate Schedules on the same basis, while updating the allocation methodology by using margins in this proceeding. These percentages are reflected in proposed Appendix H.

Q. Is Vectren North proposing any changes to Appendix I – Energy Efficiency Rider in this proceeding?

A. Yes. As discussed by Petitioner’s Witness Jerome A. Benkert, Jr., all references to deferral and recovery (via the Sales Reconciliation Component) of eighty-five (85) percent of the differences between Actual Margins and Adjusted Order Granted Margins have been removed.

Q. What Order Granted Margins does Vectren North propose for the SRC?

A. Vectren North proposes to use the approved margins in this proceeding in the SRC. Petitioner’s Exhibit No. KAH-5, Schedule 3 contains the proposed annual margins. The Company will include a revised Petitioner’s Exhibit No. KAH-5, Schedule 3 in the compliance filing in this proceeding reflecting the approved margins. Vectren North proposes to continue to combine Rates 220 and 225 in one SRC calculation.

Q. Please describe Appendix K.

A. Appendix K is the tariff sheet for the proposed DRA, as discussed previously.

d. General Terms and Conditions

1 **Q. Are you proposing changes to the General Terms and Conditions?**

2 A. Yes.

3
4 **Q. Please describe the proposed change to Sheet No. 57.**

5 A. A change has been made in paragraph D to reflect the Commission's November
6 30, 2005 rulemaking (IURC RM #05-03), which requires utilities to pay interest on
7 customer deposits held more than thirty (30) days. Vectren North has been
8 appropriately applying interest to these deposits, consistent with the rulemaking,
9 since that time.

10
11 **e. Affiliate and Cost Allocation Guidelines**

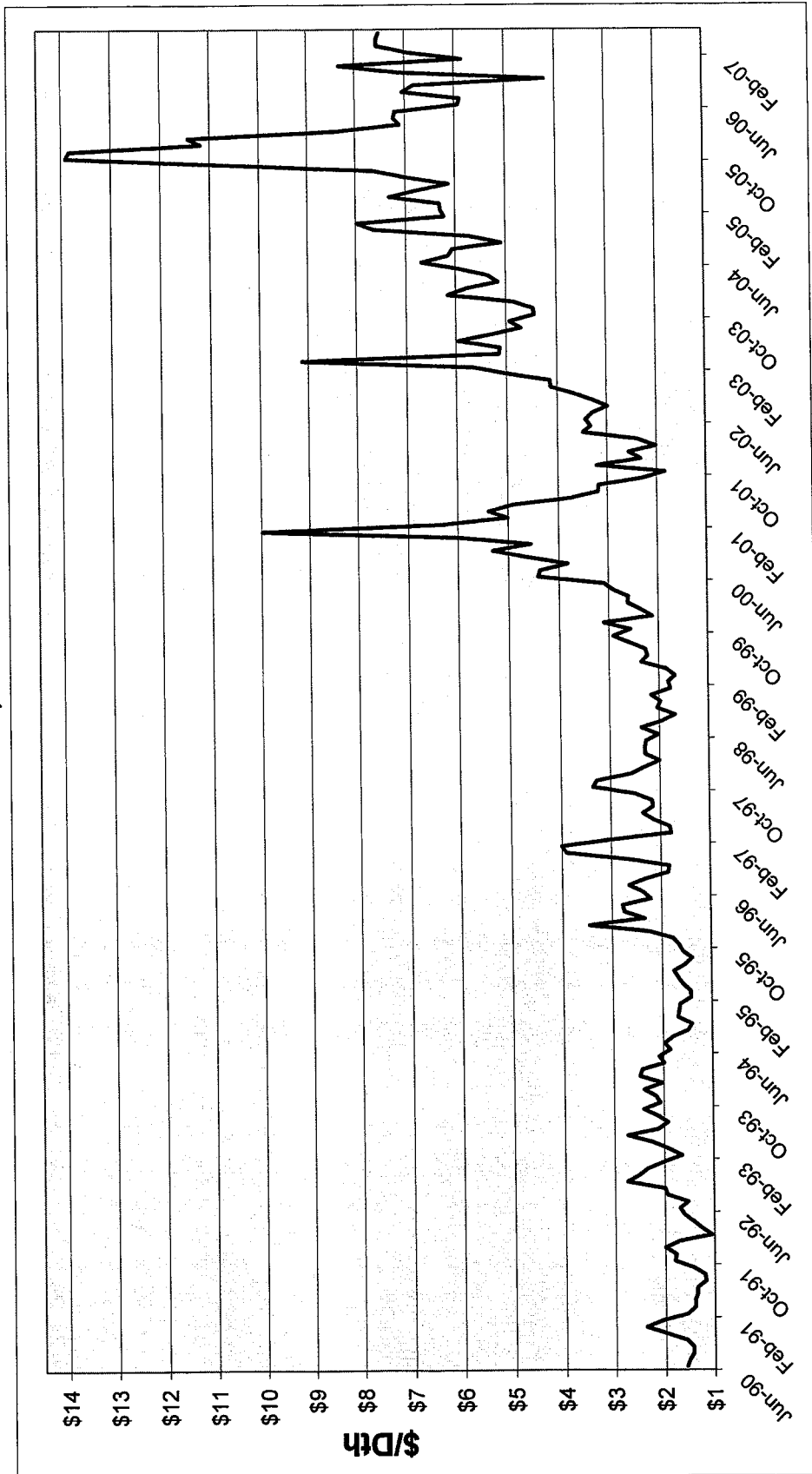
12
13 **Q. Have any changes been proposed to the Affiliate and Cost Allocation**
14 **Guidelines beginning on Sheet No. 70?**

15 A. Yes. Several clerical errors discovered in the current tariff have been corrected in
16 the proposed Tariff. The corrections are identified in the red-lined Tariff filed as
17 part of the MSFRs.

18
19 **Q. Does this conclude your direct testimony?**

20 A. Yes, at this time.

HISTORICAL NYMEX NATURAL GAS SETTLEMENT PRICING
June 1990 - May 2007



**UNACCOUNTED FOR GAS COSTS
GCA RECOVERY IN OTHER JURISDICTIONS**

<u>State</u>	<u>State</u>	<u>State</u>
1 Alabama	14 Maryland	27 Pennsylvania
2 Alaska	15 Massachusetts	28 Rhode Island
3 Arizona	16 Minnesota	29 South Dakota
4 Arkansas	17 Nebraska	30 Tennessee
5 California	18 Nevada	31 Utah
6 Colorado	19 New Hampshire	32 Vermont
7 Delaware	20 New Jersey	33 Virginia
8 Florida	21 New Mexico	34 Texas
9 Illinois	22 New York	35 Washington
10 Iowa	23 North Carolina	36 West Virginia
11 Kansas	24 North Dakota	37 Wisconsin
12 Kentucky	25 Ohio	38 Wyoming
13 Louisiana	26 Oregon	

Utilities in Other States

Avista (Idaho)

CURRENT GCA SCHEDULES

VECTREN NORTH DETERMINATION OF GAS COST ADJUSTMENT (GCA) WITH DEMAND COSTS ALLOCATED FOR THE PERIOD MARCH 2007 THROUGH MAY 2007

Line No.	ESTIMATED COST OF GAS TO BE RECOVERED	Demand [1] (A)	Commodity and Other			Total (E)
			March 2007 (B)	April 2007 (C)	May 2007 (D)	
1	Purchased Gas Costs (Schedule 3)	\$11,721,642	\$38,747,959	\$42,406,886	\$33,992,521	\$126,869,008
2	Contract Storage & Transportation Costs (Schedule 4)	\$3,050,717	\$40,170	(\$25,016)	(\$25,460)	\$3,040,411
3	Cost of Gas (Inj.)/With. From Storage (Schedule 5)	\$0	\$15,453,042	(\$10,869,754)	(\$17,091,722)	(\$12,508,434)
4	Total Estimated Gas Costs	\$14,772,360	\$54,241,171	\$31,512,116	\$16,875,339	\$117,400,986
5	Less: Estimated Cost of Unaccounted For Gas	N/A	(\$379,688)	(\$220,585)	(\$118,127)	(\$718,400)
6	Net Cost Of Gas To Be Recovered	\$14,772,360	\$53,861,483	\$31,291,531	\$16,757,212	\$116,682,586

COMMODITY COSTS TO BE RECOVERED

7	Commodity Variance - (Schedule 12C, Line 13)		(\$2,430,842)	(\$1,382,529)	(\$720,573)	(\$4,533,944)
8	1/4 of Excess of NOI Above Authorized NOI		\$0	\$0	\$0	\$0
9	Commodity Variance per Dth of Sales ((Line 7 + Line 8)/Schedule 2A Sales)		(\$0.326)	(\$0.326)	(\$0.326)	
10	Commodity Dollars to be Refunded (Schedule 12A, Line 12)		(\$9,230)	(\$5,249)	(\$2,736)	(\$17,215)
11	Commodity Refund Per Dth (Line 10/Schedule 2A Sales)		(\$0.001)	(\$0.001)	(\$0.001)	
12	Commodity Gas Costs (Line 6)		\$53,861,483	\$31,291,531	\$16,757,212	\$101,910,226
13	Monthly Commodity Gas Costs Per Dth (Line 12/Schedule 2A Sales)		\$7.226	\$7.382	\$7.584	
14	Total Commodity Cost Per Dth of Sales (Lines 9 + 11 + 13)		\$6.899	\$7.055	\$7.257	

[1] The Demand portion of Purchased Gas Costs and Contract Storage & Transportation Costs were determined by multiplying the quarterly sales quantities for each rate class by the per Dth costs listed on Schedule 1A.

CURRENT GCA SCHEDULES

VECTREN NORTH DETERMINATION OF GAS COST ADJUSTMENT (GCA)

Line No.	DEMAND RELATED COSTS TO BE RECOVERED	(A) Total	(B) Rate 210/220/229	(C) Rate 240
15	Demand Cost Variance (Schedule 12B, Line 12)	\$822,714		
16	Demand Variance Per Dth (Line 15 / Schedule 2A Sales)	\$0.059		
17	Est. Purchased Gas Demand Costs Per Dth (Schedule 1A, Line 5)		\$0.853	\$0.341
18	Est. Contract Storage Demand Costs Per Dth (Schedule 1A, Line 6)		\$0.222	\$0.089
19	TOTAL Current Demand Costs Per Dth (Line 17 + Line 18)		\$1.075	\$0.430
20	TOTAL Demand Costs Recovered Per Dth of Sales (Line 16 + Line 19)		\$1.134	\$0.489
GCA DERIVATION				
		March 2007	April 2007	May 2007
21	Total GCA Charges (Lines 20 + 14)			
21a	Rate 210/220/229	\$8.033	\$8.189	\$8.391
21b	Rate 240	\$7.388	\$7.544	\$7.746
GAS COST ADJUSTMENT MODIFIED FOR				
22	UTILITY RECEIPTS TAX -- \$/DTH			
22a	Rate 210/220/229 with IURT (Line 21a / .9847)	\$8.158	\$8.316	\$8.521
22b	Rate 240 with IURT (Line 21b / .9847)	\$7.503	\$7.661	\$7.866

Schedule 2A
Page 1 of 1

CURRENT GCA SCHEDULES

**VECTREN NORTH
ESTIMATED SALES
FOR THE TWELVE MONTHS ENDING FEBRUARY 2008
SUBJECT TO GCA**

Month / Year	Sales Demand Forecast	Sales Not Subject To GCA	Sales Subject To GCA	Rate 210	Rate 220	Rate 240
Mar-07	7,453,458		7,453,458	5,074,230	2,201,481	177,747
Apr-07	4,239,117		4,239,117	2,853,882	1,326,648	58,587
May-07	2,209,425		2,209,425	1,431,906	746,736	30,783
Subtotal	13,902,000	0	13,902,000	9,360,018	4,274,865	267,117
Jun-07	1,389,207		1,389,207	843,057	510,402	35,748
Jul-07	1,340,550		1,340,550	811,281	496,500	32,769
Aug-07	1,333,599		1,333,599	812,274	495,507	25,818
Subtotal	4,063,356	0	4,063,356	2,466,612	1,502,409	94,335
Sep-07	1,498,437		1,498,437	914,553	535,227	48,657
Oct-07	3,236,187		3,236,187	2,087,286	1,005,909	142,992
Nov-07	6,238,026		6,238,026	4,242,096	1,862,868	133,062
Subtotal	10,972,650	0	10,972,650	7,243,935	3,404,004	324,711
Dec-07	9,871,413		9,871,413	6,857,658	2,903,532	110,223
Jan-08	11,958,699		11,958,699	8,349,144	3,532,101	77,454
Feb-08	9,518,898		9,518,898	6,569,688	2,808,204	141,006
Subtotal	31,349,010	0	31,349,010	21,776,490	9,243,837	328,683
Total	60,287,016	0	60,287,016	40,847,055	18,425,115	1,014,846

QUARTERLY PERCENTAGES BY RATE CLASS OF SALES SUBJECT TO GCA

Quarter	Total	Rate Rate 210	Rate Rate 220	Rate Rate 240
Mar 2007 - May 2007	23.060%	22.915%	23.201%	26.321%
June 2007 - Aug 2007	6.740%	6.039%	8.154%	9.295%
Sep 2007 - Nov 2007	18.201%	17.734%	18.475%	31.996%
Dec 2007 - Feb 2008	51.999%	53.312%	50.170%	32.388%

CURRENT GCA SCHEDULES

VECTREN NORTH CALCULATION OF ACTUAL GAS COST VARIANCE JULY 2006

Schedule 6
Page 1 of 3

Line No.	GAS COST RECOVERED	Rate Class 210	Rate Class 220	Rate Class 240	Total
(1)	Sales - Dth (Sch 7A, Lines 1, 2, 3)	713,539	458,789	26,230	1,198,558
(2)	GCA (without IURT) from GCA90				
(a)	Demand Cost Component (Sch 1, Line 20)	\$1.267	\$1.267	\$0.537	
(b)	Commodity Cost Component (Sch 1, Line 14)	\$8.060	\$8.060	\$8.060	
(c)	Total	\$9.327	\$9.327	\$8.597	
(3)	Cost of Gas Recovered (without IURT)				
(a)	Demand Costs (Line 1 * Line 2a)	\$904,054	\$581,286	\$14,086	\$1,499,426
(b)	Commodity Costs Recovered (Line 1 * Line 2b)	\$5,751,124	\$3,697,839	\$211,414	\$9,660,377
(c)	Total Gas Costs Recovered	\$6,655,178	\$4,279,125	\$225,500	\$11,159,803
GAS COST TO BE RECOVERED					
(4)	Actual Demand Costs Incurred (Sch 7 Line 5)				
(a)	Transportation Demand				\$3,802,376
(b)	Storage Demand				318,641
(c)	Total				\$4,121,017
(5)	Demand Variance from GCA90, (Sch 12B, Line 12)				\$67,302
(6)	Total Demand Costs to be Recovered (Line 4c + Line 5)				\$4,188,319
(7)	Actual Commodity Cost Incurred (Sch 7, Line 6)				\$7,945,619
(8)	Commodity Variance from GCA90, (Sch 12C, Line 13b)				\$41,022
(9)	Commodity Refunds From GCA90 (Sch 12A, L12b)				(\$3,620)
(10)	Total Commodity Costs Incurred (Line 7 + Line 8 +Line 9)				\$7,983,021
(11)	Cost of Unaccounted for Gas (Sch 11 Line 13)				(\$239,254)
(12)	Total Commodity Cost to be Recovered (Line 10 - Line 11)				\$8,222,275
DETERMINATION OF THE GAS COST VARIANCES					
(13)	Gas Cost Variance Representing (Over)/Under Recovery				
(a)	Total Demand Variance (Over)/Under Recovery (Line 6 - Line 3a)				\$2,688,893
(b)	Total Commodity Variance (Over)/Under Recovery (Line 12 - Line 3b)				(\$1,438,102)
(c)	Total Gas Cost Variance (Line 13a + Line 13b)				\$1,250,791

CURRENT GCA SCHEDULES

**VECTREN NORTH
CALCULATION OF ACTUAL GAS COST VARIANCE
AUGUST 2006**

**Schedule 6
Page 2 of 3**

Line No.	GAS COST RECOVERED	Rate Class 210	Rate Class 220	Rate Class 240	Total
(1)	Sales - Dth (Sch 7A, Lines 1, 2, 3)	711,495	468,766	24,863	1,205,124
(2)	GCA (without IURT) from GCA90				
(a)	Demand Cost Component (Sch 1, Line 20)	\$1.267	\$1.267	\$0.537	
(b)	Commodity Cost Component (Sch 1, Line 14)	\$8.288	\$8.288	\$8.288	
(c)	Total	\$9.555	\$9.555	\$8.825	
(3)	Cost of Gas Recovered (without IURT)				
(a)	Demand Costs (Line 1 * Line 2a)	\$901,464	\$593,927	\$13,351	\$1,508,742
(b)	Commodity Costs Recovered (Line 1 * Line 2b)	\$5,896,871	\$3,885,133	\$206,065	\$9,988,069
(c)	Total Gas Costs Recovered	\$6,798,335	\$4,479,060	\$219,416	\$11,496,811
GAS COST TO BE RECOVERED					
(4)	Actual Demand Costs Incurred (Sch 7 Line 5)				
(a)	Transportation Demand				\$3,856,150
(b)	Storage Demand				318,641
(c)	Total				\$4,174,791
(5)	Demand Variance from GCA90, (Sch 12B, L 12)				\$67,353
(6)	Total Demand Costs to be Recovered (Line 4c + Line 5)				\$4,242,144
(7)	Actual Commodity Cost Incurred (Sch 7, Line 6)				\$9,134,834
(8)	Commodity Variance from GCA90, (Sch 12C, Line 13c)				\$41,053
(9)	Commodity Refunds From GCA90 (Sch 12A, L12c)				(\$3,622)
(10)	Total Commodity Costs Incurred (Line 7 + Line 8 + Line 9)				\$9,172,265
(11)	Cost of Unaccounted for Gas (Sch 11 L ine 13)				(\$115,460)
(12)	Total Commodity Cost to be Recovered (Line 10 - Line 11)				\$9,287,725
DETERMINATION OF THE GAS COST VARIANCES					
(13)	Gas Cost Variance Representing (Over)/Under Recovery				
(a)	Total Demand Variance (Over)/Under Recovery (Line 6 - Line 3a)				\$2,733,402
(b)	Total Commodity Variance (Over)/Under Recovery (Line 12 - Line 3b)				(\$700,344)
(c)	Total Gas Cost Variance (Line 13a + Line 13b)				\$2,033,058

CURRENT GCA SCHEDULES

**VECTREN NORTH
CALCULATION OF ACTUAL GAS COST VARIANCE
SEPTEMBER 2006**

**Schedule 6
Page 3 of 3**

Line No.	GAS COST RECOVERED	Rate Class 210	Rate Class 220	Rate Class 240	Total
(1)	Sales - Dth (Sch 7A, Lines 1, 2, 3)	983,759	569,477	47,929	1,601,165
(2)	GCA (without IURT) from GCA91				
(a)	Demand Cost Component (Sch 1, Line 20)	\$1.328	\$1.328	\$0.598	
(b)	Commodity Cost Component (Sch 1, Line 14)	\$7.066	\$7.066	\$7.066	
(c)	Total	\$8.394	\$8.394	\$7.664	
(3)	Cost of Gas Recovered (without IURT)				
(a)	Demand Costs (Line 1 * Line 2a)	\$1,306,432	\$756,265	\$28,662	\$2,091,359
(b)	Commodity Costs Recovered (Line 1 * Line 2b)	\$6,951,241	\$4,023,924	\$338,666	\$11,313,831
(c)	Total Gas Costs Recovered	\$8,257,673	\$4,780,189	\$367,328	\$13,405,190
GAS COST TO BE RECOVERED					
(4)	Actual Demand Costs Incurred (Sch 7 Line 5)				
(a)	Transportation Demand				\$3,981,646
(b)	Storage Demand				318,641
(c)	Total				\$4,300,287
(5)	Demand Variance from GCA91, (Sch 12B, L 12)				\$166,514
(6)	Total Demand Costs to be Recovered (Line 4c + Line 5)				\$4,466,801
(7)	Actual Commodity Cost Incurred (Sch 7, Line 6)				\$10,754,510
(8)	Commodity Variance from GCA91, (Sch 12C, Line 13a)				(\$330,778)
(9)	Commodity Refunds From GCA91 (Sch 12A, L12a)				(\$3,124)
(10)	Total Commodity Costs Incurred (Line 7 + Line 8 + Line 9)				\$10,420,608
(11)	Cost of Unaccounted for Gas (Sch 11 Line 13)				(\$439,824)
(12)	Total Commodity Cost to be Recovered (Line 10 - Line 11)				\$10,860,432
DETERMINATION OF THE GAS COST VARIANCES					
(13)	Gas Cost Variance Representing (Over)/Under Recovery				
(a)	Total Demand Variance (Over)/Under Recovery (Line 6 - Line 3a)				\$2,375,442
(b)	Total Commodity Variance (Over)/Under Recovery (Line 12 - Line 3b)				(\$453,399)
(c)	Total Gas Cost Variance (Line 13a + Line 13b)				\$1,922,043

CURRENT GCA SCHEDULES

**VECTREN NORTH
DETERMINATION OF ACTUAL GAS COST
FOR THE PERIOD JULY 1, 2006 THROUGH SEPTEMBER 30, 2006**

**Schedule 7A
Page 1 of 1**

ACTUAL DTH NATURAL GAS SALES

		<u>JULY 2006</u>	<u>AUGUST 2006</u>	<u>SEPTEMBER 2006</u>	<u>TOTAL</u>
(1)	Rate Class 210	713,539	711,495	983,759	2,408,793
(2)	Rate Class 220	458,789	468,766	569,477	1,497,032
(3)	Rate Class 240	26,230	24,863	47,929	99,022
(4)	Total	<u>1,198,558</u>	<u>1,205,124</u>	<u>1,601,165</u>	<u>4,004,847</u>

ACTUAL DTH TRANSPORTED

		<u>JULY 2006</u>	<u>AUGUST 2006</u>	<u>SEPTEMBER 2006</u>	<u>TOTAL</u>
(5)	Rate Class 245	294,439	351,939	412,472	1,058,850
(6)	Rate Class 260	1,369,004	1,537,183	1,632,357	4,538,544
(7)	Rate Class 270	1,688,605	1,534,952	1,448,990	4,672,547
(8)	Total	<u>3,352,048</u>	<u>3,424,074</u>	<u>3,493,819</u>	<u>10,269,941</u>

ACTUAL DTH THROUGHPUT

		<u>JULY 2006</u>	<u>AUGUST 2006</u>	<u>SEPTEMBER 2006</u>	<u>TOTAL</u>
(9)	Rate Class 210	713,539	711,495	983,759	2,408,793
(10)	Rate Class 220	458,789	468,766	569,477	1,497,032
(11)	Rate Class 240	26,230	24,863	47,929	99,022
(12)	Rate Class 245	294,439	351,939	412,472	1,058,850
(13)	Rate Class 260	1,369,004	1,537,183	1,632,357	4,538,544
(14)	Rate Class 270	1,688,605	1,534,952	1,448,990	4,672,547
(15)	Total	<u>4,550,606</u>	<u>4,629,198</u>	<u>5,094,984</u>	<u>14,274,788</u>

CURRENT GCA SCHEDULES

**VECTREN NORTH
DETERMINATION OF UNACCOUNTED FOR GAS
FOR THE PERIOD JULY 1, 2006 THROUGH SEPTEMBER 30, 2006**

Schedule 11

Line No.		(A) JULY 2006	(B) AUGUST 2006	(C) SEPTEMBER 2006	(D) TOTAL
(1)	Total Dth of Purchased Gas Delivered [1]	<u>3,822,953</u>	<u>3,660,673</u>	<u>2,858,837</u>	<u>10,342,463</u>
(2)	Total Dth of Transport & ICC Gas Delivered by Pipeline				
	(a) Cash Outs	(28,958)	30,682	(25,832)	<u>(24,108)</u>
	(b) Customer Transp. Deliveries	3,373,953	3,340,450	3,511,359	<u>8</u>
	(c) ICC purchased deliveries	0	0	0	<u>0</u>
	(d) Total Transported Gas Delivered (Line 2a + Line 2b + Line 2c)	<u>3,344,995</u>	<u>3,371,132</u>	<u>3,485,527</u>	<u>10,201,654</u>
	(i) Transportation Retention	13,592	14,271	15,267	<u>43,130</u>
(3)	Total Dth of Gas (Injected Into) / Withdrawn From Storage (Schedule 10 Col. E)	<u>(2,601,369)</u>	<u>(2,366,468)</u>	<u>(1,268,756)</u>	<u>(6,236,593)</u>
(4)	Total Dth of Fuel Loss	(36,195)	(36,866)	(28,055)	<u>(101,116)</u>
(5)	Total Dth of Other Gas Injected Into/Withdrawn From System				
	(a) Gas Loss - Facilities Damage Rpt.		0	0	<u>0</u>
	(b) Gas Usage Not Billed Due to NONR	(1,123)	0	(172)	<u>(1,295)</u>
(6)	Total Dth of Gas Available (L 1 + L 2d + L 3 + L 4 + L 5a+L 5b)	<u>4,529,261</u>	<u>4,628,471</u>	<u>5,047,381</u>	<u>14,205,113</u>
	(a) Total Available less Retention (L6 - L 2 (d) (i))	<u>4,515,669</u>	<u>4,614,200</u>	<u>5,032,114</u>	<u>14,161,983</u>
(7)	Total Dth of Gas Sold (Sch. 7A Line 4)	<u>1,198,558</u>	<u>1,205,124</u>	<u>1,601,165</u>	<u>4,004,847</u>
(8)	Total Dth of Gas Transported to Customers (Schedule 7A, Line 8)	3,352,048	3,424,074	3,493,819	10,269,941
(9)	Total Dth of Gas Delivered to Customers (Line 7 + Line 8)	<u>4,550,606</u>	<u>4,629,198</u>	<u>5,094,984</u>	<u>14,274,788</u>
(10)	Unaccounted For Gas				
	(a) Total Dth of Unaccounted For Gas (Line 6 - Line 9)	<u>(21,345)</u>	<u>(727)</u>	<u>(47,603)</u>	<u>(69,675)</u>
	(b) UAF Volumes Net of Transportation Retention (Line 6(a) - Line 9)	(34,937)	(14,998)	(62,870)	<u>(112,805)</u>
(11)	Percentage of Unaccounted for Gas (Line 10(a) / Line 6)	<u>-0.471269%</u>	<u>-0.015707%</u>	<u>-0.943123%</u>	<u>-0.490492%</u>
(12)	Net Commodity Cost of Gas (Schedule 7, Line 6 - Line 3b)	<u>\$7,968,650</u>	<u>\$9,162,047</u>	<u>\$10,761,558</u>	<u>\$27,892,255</u>
(13)	Total Cost of Unaccounted for Gas [2]	<u>(\$239,254)</u>	<u>(\$115,460)</u>	<u>(\$439,824)</u>	<u>(\$794,538)</u>

[1] Sch. 8B, Col. E. & Propane Sch. 8, Col. B

[2] Line 10(b) * (Line 12/(Line 6(a) - 8))

CURRENT GCA SCHEDULES

**VECTREN NORTH
DETERMINATION OF ANNUAL UNACCOUNTED FOR GAS LEVEL
FOR THE YEAR ENDING SEPTEMBER 2006**

Schedule 11A

<u>Line No.</u>		(A) <u>GCA90</u>	(B) <u>GCA91</u>	(C) <u>GCA92</u>	(D) <u>GCA93</u>	(E) <u>TOTAL</u>
1	Volume of Unaccounted for Gas (Dth) (Schedule 11, Line 10, Col. D)	1,408,994	(233,138)	(550,990)	(69,675)	555,191

CURRENT GCA SCHEDULES

Schedule 11B

**Vectren North
Annualization Adjustment for Unaccounted-for Gas Costs
For the Period September 2005 - August 2006**

Month	(1) Volume of Gas Available (Dth) Sch.11, L6	(2) Volume of Gas Delivered (Dth) Sch. 11, L9	(3) Volume of Unaccounted Sch. 11, L10	(4) % of Unaccounted for Sch. 11, L11	(5) Gas Transported to Customers (Dth) Sch. 11, L8	(6) Transportation Retention Sch. 11, L2(d)(i)	(7) Cost of Gas for UAF Sch 11, L12	(8) Total Cost of UAF as Filed Sch. 11, L13	(9) Unit Cost of UAF (7)/[(1)-(5)-(6)]	(10) Levelized UAF Volumes Total UAF% *(1)	(11) Adjusted (Annualized) (9)*[(10)-(6)]	(12) Unaccounted For Adjustment (8)-(11)
September-05	4,935,387	4,814,744	120,643	2.444%	3,450,987	14,929	\$ 15,848,198	\$ 1,140,122				
October-05	6,945,561	6,707,101	238,460	3.433%	3,851,950	17,587	\$ 36,652,080	\$ 2,631,792				
November-05	10,904,934	11,401,910	(496,976)	-4.557%	4,484,964	20,206	\$ 61,486,223	\$ (4,953,386)				
December-05	17,997,277	16,329,767	1,667,510	9.265%	5,353,613	26,884	\$ 133,299,565	\$ 17,333,641				
January-06	13,678,260	14,549,733	(871,473)	-6.371%	4,779,069	24,358	\$ 87,033,114	\$ (8,785,175)				
February-06	14,572,424	13,959,429	612,995	4.207%	4,782,477	23,538	\$ 84,239,865	\$ 5,084,343				
March-06	12,570,868	12,545,528	25,340	0.202%	4,753,774	23,295	\$ 59,275,895	\$ 15,553				
April-06	6,708,935	7,258,827	(549,892)	-8.196%	3,605,893	16,884	\$ 20,642,680	\$ (3,791,049)				
May-06	5,958,808	5,913,738	45,070	0.756%	3,666,088	15,835	\$ 15,754,190	\$ 202,282				
June-06	4,543,683	4,589,851	(46,168)	-1.016%	3,186,993	14,641	\$ 8,040,177	\$ (364,305)				
July-06	4,529,281	4,550,606	(21,345)	-0.471%	3,352,048	13,592	\$ 7,968,650	\$ (239,254)				
August-06	4,628,471	4,629,198	(727)	-0.016%	3,424,074	14,271	\$ 9,162,047	\$ (115,460)				
Total	107,973,869	107,250,432	723,437	0.670%	48,671,930	226,020	\$ 539,402,684	\$ 8,159,104	\$ 9.1307	723,437	\$ 4,541,750	\$ 3,617,364

PROPOSED GCA SCHEDULES
VECTREN NORTH
DETERMINATION OF GAS COST ADJUSTMENT (GCA)
WITH DEMAND COSTS ALLOCATED
FOR THE PERIOD MARCH 2007 THROUGH MAY 2007

Line No.	ESTIMATED COST OF GAS TO BE RECOVERED	Commodity and Other				Total (E)
		Demand [1] (A)	March 2007 (B)	April 2007 (C)	May 2007 (D)	
1	Purchased Gas Costs (Schedule 3)	\$11,721,642	\$38,747,959	\$42,406,886	\$33,992,521	\$126,869,008
2	Contract Storage & Transportation Costs (Schedule 4)	\$3,050,717	\$40,170	(\$25,016)	(\$25,460)	\$3,040,411
3	Cost of Gas (Inj.)/With. From Storage (Schedule 5)	\$0	\$15,453,042	(\$11,068,602)	(\$17,091,722)	(\$12,707,282)
4	Total Estimated Gas Costs	\$14,772,360	\$54,241,171	\$31,313,268	\$16,875,339	\$117,202,138
5	Less: Estimated Base Rate Cost of Unaccounted For Gas [2]	N/A	(\$298,511)	(\$169,777)	(\$88,487)	(\$556,775)
6	Net Cost Of Gas To Be Recovered	\$14,772,360	\$53,942,660	\$31,143,491	\$16,786,852	\$116,645,363

COMMODITY COSTS TO BE RECOVERED

7	Commodity Variance - (Schedule 12C, Line 13)		(\$2,430,842)	(\$1,382,529)	(\$720,573)	(\$4,533,944)
8	1/4 of Excess of NOI Above Authorized NOI		\$0	\$0	\$0	\$0
9	Commodity Variance per Dth of Sales ((Line 7 + Line 8)/Schedule 2A Sales)		(\$0.326)	(\$0.326)	(\$0.326)	
10	Commodity Dollars to be Refunded (Schedule 12A, Line 12)		(\$9,230)	(\$5,249)	(\$2,736)	(\$17,215)
11	Commodity Refund Per Dth (Line 10/Schedule 2A Sales)		(\$0.001)	(\$0.001)	(\$0.001)	
12	Bad Debt Gas Cost Variance (Schedule 12 D, Page 1)		\$53,344	\$30,339	\$15,813	\$99,496
13	Bad Debt Gas Cost Variance Per Dth (Line 12/Schedule 2A Sales)		\$0.007	\$0.007	\$0.007	
14	Commodity Gas Costs (Line 6)		\$53,942,660	\$31,143,491	\$16,786,852	\$101,873,003
15	Monthly Commodity Gas Costs Per Dth (Line 12/Schedule 2A Sales)		\$7.237	\$7.347	\$7.598	
16	Cost of Transportation Customer Company Use Volumes (Sch 1, Line 44)		\$27,939	\$35,037	\$51,290	
17	Commodity Gas Costs less Cost of Transp. Cust. Co. Use Volumes (Line 14 - Line 16)		\$53,914,721	\$31,108,454	\$16,735,562	
18	Adjusted Monthly Commodity Gas Costs Per Dth (Line 17/Schedule 2A Sales)		\$7.234	\$7.338	\$7.575	
19	Total Commodity Cost Per Dth of Sales (Lines 9 + 11 + 13 + 18)		\$6.914	\$7.018	\$7.255	

[1] The Demand portion of Purchased Gas Costs and Contract Storage & Transportation Costs were determined by multiplying the quarterly sales quantities for each rate class by the per Dth costs listed on Schedule 1A.

[2] Base rate commodity cost of gas times the current UAFG percentage times sales from Schedule 2A (Line 5 = 0.5% * 2A Sales * \$8.01).

PROPOSED GCA SCHEDULES

VECTREN NORTH DETERMINATION OF GAS COST ADJUSTMENT (GCA)

Line No.		(A) Total	(B) Rate 210/220/229	(C) Rate 240
	DEMAND RELATED COSTS TO BE RECOVERED			

20	Demand Cost Variance (Schedule 12B, Line 12)	\$822,714		
21	Demand Variance Per Dth (Line 20 / Schedule 2A Sales)	\$0.059		
22	Est. Purchased Gas Demand Costs Per Dth (Schedule 1A, Line 5)		\$0.853	\$0.341
23	Est. Contract Storage Demand Costs Per Dth (Schedule 1A, Line 6)		\$0.222	\$0.089
24	TOTAL Current Demand Costs Per Dth (Line 22 + Line 23)		\$1.075	\$0.430
25	TOTAL Demand Costs Recovered Per Dth of Sales (Line 21 + Line 24)		\$1.134	\$0.489

GCA DERIVATION	March 2007	April 2007	May 2007
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26	Total GCA Charges (Lines 19 + 25)			
26a	Rate 210/220/229	\$8.048	\$8.152	\$8.389
26b	Rate 240	\$7.403	\$7.507	\$7.744

GAS COST ADJUSTMENT MODIFIED FOR

27	UTILITY RECEIPTS TAX – \$/DTH			
27a	Rate 210/220/229 with IURT (Line 26a / .9847)	\$8.173	\$8.279	\$8.519
27b	Rate 240 with IURT (Line 26b / .9847)	\$7.518	\$7.624	\$7.864

PROPOSED GCA SCHEDULES

**VECTREN NORTH
DETERMINATION OF GAS COST ADJUSTMENT (GCA) FOR TRANSPORTATION CUSTOMERS**

Line No.		(A) March 2007	(B) April 2007	(C) May 2007
	COMPANY USE GAS COSTS TO BE RECOVERED			
	COST DERIVATION			
28	Storage Field Operations (Dth)	6,250	6,250	6,250
29	Distribution Operations (Dth)	7,917	7,917	7,917
30	Total Storage Field and Distribution Operations (Dth)	14,167	14,167	14,167
31	Monthly Commodity Gas Costs Per Dth (Line 15)	\$7.237	\$7.347	\$7.598
32	Storage Field Operations Costs (Line 28 * Line 31)	\$45,231	\$45,919	\$47,488
33	Percentage Allocated to Transportation Customers	6%	7%	10%
34	Storage Field Operations Costs Allocated to Transportation Customers	\$2,714	\$3,214	\$4,749
35	Distribution Operations Costs (Line 29 * Line 31)	\$57,295	\$58,166	\$60,153
36	Percentage Allocated to Transportation Customers	31%	36%	49%
37	Distribution Operations Costs Allocated to Transportation Customers	\$17,761	\$20,940	\$29,475
38	Storage Field and Distribution Operation Costs Allocated to Transportation Customers (Line 34 + Line 37)	\$20,475	\$24,154	\$34,224
39	Storage Losses (Dth) (Sch. 5 Company Storage Injections * 2%)	0	10,700	16,120
40	Storage Losses Costs (Line 39 * Line 31)	\$0	\$78,613	\$122,480
41	Percentage Allocated to Transportation Customers	6%	7%	10%
42	Storage Losses Costs Allocated to Transportation Customers	\$0	\$5,503	\$12,248
43	Company Use Variance (Schedule 12E, Line 13)	\$7,464	\$5,380	\$4,818
44	Total Company Use Gas Costs and Variances Allocated to Transportation Customers (Line 38 + Line 42 + Line 43)	\$27,939	\$35,037	\$51,290
45	Estimated Transportation Volumes (Dth)	3,291,000	2,372,000	2,124,500
	GCA DERIVATION			
46	GCA Charge (Line 44 / Line 45)	\$0.008	\$0.015	\$0.024
47	GCA Modified for IN Utility Receipts Tax (Line 46/ .9847)	\$0.008	\$0.015	\$0.024

PROPOSED GCA SCHEDULES

**VECTREN NORTH
ESTIMATED SALES
FOR THE TWELVE MONTHS ENDING FEBRUARY 2008
SUBJECT TO GCA**

Month / Year	Sales Demand Forecast	Sales Not Subject To GCA	Sales Subject To GCA	Rate 210	Rate 220	Rate 240
Mar-07	7,453,458		7,453,458	5,074,230	2,201,481	177,747
Apr-07	4,239,117		4,239,117	2,853,882	1,326,648	58,587
May-07	2,209,425		2,209,425	1,431,906	746,736	30,783
Subtotal	13,902,000	0	13,902,000	9,360,018	4,274,865	267,117
Jun-07	1,389,207		1,389,207	843,057	510,402	35,748
Jul-07	1,340,550		1,340,550	811,281	496,500	32,769
Aug-07	1,333,599		1,333,599	812,274	495,507	25,818
Subtotal	4,063,356	0	4,063,356	2,466,612	1,502,409	94,335
Sep-07	1,498,437		1,498,437	914,553	535,227	48,657
Oct-07	3,236,187		3,236,187	2,087,286	1,005,909	142,992
Nov-07	6,238,026		6,238,026	4,242,096	1,862,868	133,062
Subtotal	10,972,650	0	10,972,650	7,243,935	3,404,004	324,711
Dec-07	9,871,413		9,871,413	6,857,658	2,903,532	110,223
Jan-08	11,958,699		11,958,699	8,349,144	3,532,101	77,454
Feb-08	9,518,898		9,518,898	6,569,688	2,808,204	141,006
Subtotal	31,349,010	0	31,349,010	21,776,490	9,243,837	328,683
Total	60,287,016	0	60,287,016	40,847,055	18,425,115	1,014,846

QUARTERLY PERCENTAGES BY RATE CLASS OF SALES SUBJECT TO GCA

Quarter	Total	Rate Rate 210	Rate Rate 220	Rate Rate 240
Mar 2007 - May 2007	23.060%	22.915%	23.201%	26.321%
June 2007 - Aug 2007	6.740%	6.039%	8.154%	9.295%
Sep 2007 - Nov 2007	18.201%	17.734%	18.475%	31.996%
Dec 2007 - Feb 2008	51.999%	53.312%	50.170%	32.388%

PROPOSED GCA SCHEDULES

**VECTREN NORTH
ESTIMATED TRANSPORTATION VOLUMES
FOR CUSTOMERS SUBJECT TO COMPANY USE COSTS
FOR THE TWELVE MONTHS ENDING FEBRUARY 2008**

Month / Year	Total Transport Volumes	Transport Volumes	Rate 225	Rate 245	Rate 260	Rate 270
Mar-07	3,291,000	3,291,000	80,000	938,000	2,273,000	0
Apr-07	2,372,000	2,372,000	49,000	553,000	1,770,000	0
May-07	2,124,500	2,124,500	27,500	441,000	1,656,000	0
Subtotal	7,787,500	7,787,500	156,500	1,932,000	5,699,000	0
Jun-07	1,826,000	1,826,000	19,000	335,000	1,472,000	0
Jul-07	1,692,500	1,692,500	18,500	300,000	1,374,000	0
Aug-07	1,947,500	1,947,500	18,500	353,000	1,576,000	0
Subtotal	5,466,000	5,466,000	56,000	988,000	4,422,000	0
Sep-07	2,022,000	2,022,000	20,000	395,000	1,607,000	0
Oct-07	2,390,000	2,390,000	37,000	564,000	1,789,000	0
Nov-07	2,735,000	2,735,000	68,000	723,000	1,944,000	0
Subtotal	7,147,000	7,147,000	125,000	1,682,000	5,340,000	0
Dec-07	3,535,000	3,535,000	105,000	1,100,000	2,330,000	0
Jan-08	3,756,000	3,756,000	128,000	1,120,000	2,508,000	0
Feb-08	3,186,500	3,186,500	101,500	919,000	2,166,000	0
Subtotal	10,477,500	10,477,500	334,500	3,139,000	7,004,000	0
Total	30,878,000	30,878,000	672,000	7,741,000	22,465,000	0

QUARTERLY PERCENTAGES BY RATE CLASS

Quarter	Total	Rate Rate 245	Rate Rate 260	Rate Rate 270
Mar 2007 - May 2007	25.220%	24.958%	25.368%	0.000%
June 2007 - Aug 2007	17.702%	12.763%	19.684%	0.000%
Sep 2007 - Nov 2007	23.146%	21.728%	23.770%	0.000%
Dec 2007 - Feb 2008	33.932%	40.551%	31.178%	0.000%

PROPOSED GCA SCHEDULES

**VECTREN NORTH
CALCULATION OF ACTUAL GAS COST VARIANCE
JULY 2006**

**Schedule 6
Page 1 of 3**

Line No.	GAS COST RECOVERED	Rate Class 210	Rate Class 220	Rate Class 240	Total
(1)	Sales - Dth (Sch 7A, Lines 1, 2, 3)	713,539	458,789	26,230	1,198,558
(2)	GCA (without IURT) from GCA90				
(a)	Demand Cost Component (Sch 1, Line 20)	\$1.267	\$1.267	\$0.537	
(b)	Commodity Cost Component (Sch 1, Line 14)	\$8.060	\$8.060	\$8.060	
(c)	Total	\$9.327	\$9.327	\$8.597	
(3)	Cost of Gas Recovered (without IURT)				
(a)	Demand Costs (Line 1 * Line 2a)	\$904,054	\$581,286	\$14,086	\$1,499,426
(b)	Commodity Costs Recovered (Line 1 * Line 2b)	\$5,751,124	\$3,697,839	\$211,414	\$9,660,377
(c)	Total Gas Costs Recovered	\$6,655,178	\$4,279,125	\$225,500	\$11,159,803
GAS COST TO BE RECOVERED					
(4)	Actual Demand Costs Incurred (Sch 7 Line 5)				
(a)	Transportation Demand				\$3,802,376
(b)	Storage Demand				318,641
(c)	Total				\$4,121,017
(5)	Demand Variance from GCA90, (Sch 12B, Line 12)				\$67,302
(6)	Total Demand Costs to be Recovered (Line 4c + Line 5)				\$4,188,319
(7)	Actual Commodity Cost Incurred (Sch 7, Line 6)				\$7,945,619
(8)	Commodity Variance from GCA90, (Sch 12C, Line 13b)				\$41,022
(9)	Commodity Refunds from GCA90 (Sch 12A, L12b)				(\$3,620)
(10)	Total Commodity Costs Incurred (Line 7 + Line 8 + Line 9)				\$7,983,021
(11)	Total Unaccounted For Gas Cost Recoveries (Sch. 11, Page 2, Line 8)				\$79,385
(12)	Total Commodity Cost to be Recovered (Line 10 - Line 11)				\$7,903,636
RECONCILIATION OF BAD DEBT GAS COSTS					
(13)	Actual Bad Debt Gas Cost Written Off (Sch 12D, Page 2, Line 1)				\$703,000
(14)	Total Bad Debt Gas Cost Recoveries (Sch 12D, Page 2, Line 1)				\$782,235
(15)	Bad Debt Gas Cost Variance (Sch 12D, Page 2, Line 1)				(\$79,235)
(16)	Bad Debt Gas Cost from GCA90 (Sch 12D, Page 1, Line 13b)				\$0
DETERMINATION OF THE GAS COST VARIANCES					
(17)	Gas Cost Variance Representing (Over)/Under Recovery				
(a)	Total Demand Variance (Over)/Under Recovery (Line 6 - Line 3a)				\$2,688,893
(b)	Total Commodity Variance (Over)/Under Recovery (Line 12 - Line 3b)				(\$1,756,741)
(c)	Total Bad Debt Gas Cost Variance (Over)/Under Recovery (Line 15 + Line 16)				(\$79,235)
(d)	Total Gas Cost Variance (Line 17a + Line 17b + Line 17c)				\$852,917

PROPOSED GCA SCHEDULES

VECTREN NORTH CALCULATION OF ACTUAL GAS COST VARIANCE AUGUST 2006

Schedule 6
Page 2 of 3

Line No.	GAS COST RECOVERED	Rate Class 210	Rate Class 220	Rate Class 240	Total
(1)	Sales - Dth (Sch 7A, Lines 1, 2, 3)	711,495	468,766	24,863	1,205,124
(2)	GCA (without IURT) from GCA90				
(a)	Demand Cost Component (Sch 1, Line 20)	\$1.267	\$1.267	\$0.537	
(b)	Commodity Cost Component (Sch 1, Line 14)	\$8.288	\$8.288	\$8.288	
(c)	Total	\$9.555	\$9.555	\$8.825	
(3)	Cost of Gas Recovered (without IURT)				
(a)	Demand Costs (Line 1 * Line 2a)	\$901,464	\$593,927	\$13,351	\$1,508,742
(b)	Commodity Costs Recovered (Line 1 * Line 2b)	\$5,896,871	\$3,885,133	\$206,065	\$9,988,069
(c)	Total Gas Costs Recovered	\$6,798,335	\$4,479,060	\$219,416	\$11,496,811
GAS COST TO BE RECOVERED					
(4)	Actual Demand Costs Incurred (Sch 7 Line 5)				
(a)	Transportation Demand				\$3,856,150
(b)	Storage Demand				318,641
(c)	Total				\$4,174,791
(5)	Demand Variance from GCA90, (Sch 12B, L 12)				\$67,353
(6)	Total Demand Costs to be Recovered (Line 4c + Line 5)				\$4,242,144
(7)	Actual Commodity Cost Incurred (Sch 7, Line 6)				\$9,134,834
(8)	Commodity Variance from GCA90, (Sch 12C, Line 13c)				\$41,053
(9)	Commodity Refunds From GCA90 (Sch 12A, L12c)				(\$3,622)
(10)	Total Commodity Costs Incurred (Line 7 + Line 8 + Line 9)				\$9,172,265
(11)	Total Unaccounted For Gas Cost Recoveries (Sch. 11, Page 2, Line 8)				\$79,331
(12)	Total Commodity Cost to be Recovered (Line 10 - Line 11)				\$9,092,934
RECONCILIATION OF BAD DEBT GAS COSTS					
(13)	Actual Bad Debt Gas Cost Written Off (Sch 12D, Page 2, Line 2)				\$814,000
(14)	Total Bad Debt Gas Cost Recoveries (Sch 12D, Page 2, Line 2)				\$834,371
(15)	Bad Debt Gas Cost Variance (Sch 12D, Page 2, Line 2)				(\$20,371)
(16)	Bad Debt Gas Cost from GCA90 (Sch 12D, Page 1, Line 13c)				\$0
DETERMINATION OF THE GAS COST VARIANCES					
(17)	Gas Cost Variance Representing (Over)/Under Recovery				
(a)	Total Demand Variance (Over)/Under Recovery (Line 6 - Line 3a)				\$2,733,402
(b)	Total Commodity Variance (Over)/Under Recovery (Line 12 - Line 3b)				(\$895,135)
(c)	Total Bad Debt Gas Cost Variance (Over)/Under Recovery (Line 15 + Line 16)				(\$20,371)
(d)	Total Gas Cost Variance (Line 17a + Line 17b + Line 17c)				\$1,817,896

PROPOSED GCA SCHEDULES

**VECTREN NORTH
CALCULATION OF ACTUAL GAS COST VARIANCE
SEPTEMBER 2006**

**Schedule 6
Page 3 of 3**

Line No.	GAS COST RECOVERED	Rate Class 210	Rate Class 220	Rate Class 240	Total
(1)	Sales - Dth (Sch 7A, Lines 1, 2, 3)	983,759	569,477	47,929	1,601,165
(2)	GCA (without IURT) from GCA91				
(a)	Demand Cost Component (Sch 1, Line 20)	\$1.328	\$1.328	\$0.598	
(b)	Commodity Cost Component (Sch 1, Line 14)	\$7.066	\$7.066	\$7.066	
(c)	Total	\$8.394	\$8.394	\$7.664	
(3)	Cost of Gas Recovered (without IURT)				
(a)	Demand Costs (Line 1 * Line 2a)	\$1,306,432	\$756,265	\$28,662	\$2,091,359
(b)	Commodity Costs Recovered (Line 1 * Line 2b)	\$6,951,241	\$4,023,924	\$338,666	\$11,313,831
(c)	Total Gas Costs Recovered	\$8,257,673	\$4,780,189	\$367,328	\$13,405,190

GAS COST TO BE RECOVERED

(4)	Actual Demand Costs Incurred (Sch 7 Line 5)				
(a)	Transportation Demand				\$3,981,646
(b)	Storage Demand				318,641
(c)	Total				\$4,300,287
(5)	Demand Variance from GCA91, (Sch 12B, L 12)				\$166,514
(6)	Total Demand Costs to be Recovered (Line 4c + Line 5)				\$4,466,801
(7)	Actual Commodity Cost Incurred (Sch 7, Line 6)				\$10,754,510
(8)	Commodity Variance from GCA91, (Sch 12C, Line 13a)				(\$330,778)
(9)	Commodity Refunds From GCA91 (Sch 12A, L12a)				(\$3,124)
(10)	Total Commodity Costs Incurred (Line 7 + Line 8 + Line 9)				\$10,420,608
(11)	Total Unaccounted For Gas Cost Recoveries (Sch. 11, Page 2, Line 8)				\$88,762
(12)	Total Commodity Cost to be Recovered (Line 10 - Line 11)				\$10,331,846

RECONCILIATION OF BAD DEBT GAS COSTS

(13)	Actual Bad Debt Gas Cost Written Off (Sch 12D, Page 2, Line 3)				\$740,000
(14)	Total Bad Debt Gas Cost Recoveries (Sch 12D, Page 2, Line 3)				\$208,929
(15)	Bad Debt Gas Cost Variance (Sch 12D, Page 2, Line 3)				\$531,071
(16)	Bad Debt Gas Cost from GCA90 (Sch 12D, Page 1, Line 13a)				\$0

DETERMINATION OF THE GAS COST VARIANCES

(17)	Gas Cost Variance Representing (Over)/Under Recovery				
(a)	Total Demand Variance (Over)/Under Recovery (Line 6 - Line 3a)				\$2,375,442
(b)	Total Commodity Variance (Over)/Under Recovery (Line 12 - Line 3b)				(\$981,985)
(c)	Total Bad Debt Gas Cost Variance (Over)/Under Recovery (Line 15 + Line 16)				\$531,071
(d)	Total Gas Cost Variance (Line 17a + Line 17b + Line 17c)				\$1,924,529

PROPOSED GCA SCHEDULES

**VECTREN NORTH
CALCULATION OF ACTUAL GAS COST VARIANCE
JULY 2006**

**Schedule 6A
Page 1 of 3**

Line No.	COMPANY USE GAS COSTS RECOVERED	Rate 225	Rate 245	Rate 260	Rate 270	Total
(1)	Transportation - Dth (Sch 7A, Lines 5, 6, 7, 8)	19,500	294,439	1,369,004	1,688,605	3,371,548
(2)	GCA (without IURT) from GCA90					
	(a) Company Use Cost Component (Sch 1, Line 47)	\$0.026	\$0.026	\$0.026	\$0.000	
(3)	Cost of Gas Recovered (without IURT)					
	(a) Company Use Costs Recovered (Line 1 * Line 2a)	\$507	\$7,655	\$35,594	\$0	\$43,756
COMPANY USE GAS COSTS TO BE RECOVERED						
(4)	Actual Company Use Costs Incurred (Sch 9B and 9C, Line 1)					\$73,213
(5)	Company Use Variance from GCA90, (Sch 12E, Line 13b)					\$0
(6)	Total Company Use Costs to be Recovered (Line 4 + Line 5)					\$73,213
DETERMINATION OF COMPANY USE GAS COST VARIANCES						
(7)	Total Company Use Cost Variance Representing (Over)/Under Recovery (Line 6 - Line 3a)					\$29,457

PROPOSED GCA SCHEDULES

**VECTREN NORTH
CALCULATION OF ACTUAL GAS COST VARIANCE
AUGUST 2006**

**Schedule 6A
Page 2 of 3**

Line No.	COMPANY USE GAS COSTS RECOVERED	Rate 225	Rate 245	Rate 260	Rate 270	Total
(1)	Transportation - Dth (Sch 7A, Lines 5, 6, 7, 8)	20,000	351,939	1,537,183	1,534,952	3,444,074
(2)	GCA (without IURT) from GCA90					
	(a) Company Use Cost Component (Sch 1, Line 47)	\$0.026	\$0.026	\$0.026	\$0.000	
(3)	Cost of Gas Recovered (without IURT)					
	(a) Company Use Costs Recovered (Line 1 * Line 2a)	\$520	\$9,150	\$39,967	\$0	\$49,637
COMPANY USE GAS COSTS TO BE RECOVERED						
(4)	Actual Company Use Costs Incurred (Sch 9B and 9C, Line 2)					\$80,381
(5)	Company Use Variance from GCA90, (Sch 12E, Line 13c)					\$0
(6)	Total Company Use Costs to be Recovered (Line 4 + Line 5)					\$80,381
DETERMINATION OF COMPANY USE GAS COST VARIANCES						
(7)	Total Company Use Cost Variance Representing (Over)/Under Recovery (Line 6 - Line 3a)					\$30,744

PROPOSED GCA SCHEDULES

**VECTREN NORTH
CALCULATION OF ACTUAL GAS COST VARIANCE
SEPTEMBER 2006**

**Schedule 6A
Page 3 of 3**

Line No.	COMPANY USE GAS COSTS RECOVERED	Rate 225	Rate 245	Rate 260	Rate 270	Total
(1)	Transportation - Dth (Sch 7A, Lines 5, 6, 7, 8)	21,000	412,472	1,632,357	1,448,990	3,514,819
(2)	GCA (without IURT) from GCA91					
(a)	Company Use Cost Component (Sch 1, Line 47)	\$0.025	\$0.025	\$0.025	\$0.000	
(3)	Cost of Gas Recovered (without IURT)					
(a)	Company Use Costs Recovered (Line 1 * Line 2a)	\$525	\$10,312	\$40,809	\$0	\$51,646
COMPANY USE GAS COSTS TO BE RECOVERED						
(4)	Actual Company Use Costs Incurred (Sch 9B and 9C, Line 3)					\$61,478
(5)	Company Use Variance from GCA91, (Sch 12E, Line 13a)					\$0
(6)	Total Company Use Costs to be Recovered (Line 4 + Line 5)					\$61,478
DETERMINATION OF COMPANY USE GAS COST VARIANCES						
(7)	Total Company Use Cost Variance Representing (Over)/Under Recovery (Line 6 - Line 3a)					\$9,832

PROPOSED GCA SCHEDULES

**VECTREN NORTH
DETERMINATION OF ACTUAL GAS COST
FOR THE PERIOD JULY 1, 2006 THROUGH SEPTEMBER 30, 2006**

**Schedule 7A
Page 1 of 1**

ACTUAL DTH NATURAL GAS SALES

		<u>JULY 2006</u>	<u>AUGUST 2006</u>	<u>SEPTEMBER 2006</u>	<u>TOTAL</u>
(1)	Rate Class 210	713,539	711,495	983,759	2,408,793
(2)	Rate Class 220	458,789	468,766	569,477	1,497,032
(3)	Rate Class 240	26,230	24,863	47,929	99,022
(4)	Total	<u>1,198,558</u>	<u>1,205,124</u>	<u>1,601,165</u>	<u>4,004,847</u>

ACTUAL DTH TRANSPORTED

		<u>JULY 2006</u>	<u>AUGUST 2006</u>	<u>SEPTEMBER 2006</u>	<u>TOTAL</u>
(5)	Rate Class 225	19,500	20,000	21,000	60,500
(6)	Rate Class 245	294,439	351,939	412,472	1,058,850
(7)	Rate Class 260	1,369,004	1,537,183	1,632,357	4,538,544
(8)	Rate Class 270	<u>1,688,605</u>	<u>1,534,952</u>	<u>1,448,990</u>	<u>4,672,547</u>
(9)	Total	<u>3,371,548</u>	<u>3,444,074</u>	<u>3,514,819</u>	<u>10,330,441</u>

ACTUAL DTH THROUGHPUT

		<u>JULY 2006</u>	<u>AUGUST 2006</u>	<u>SEPTEMBER 2006</u>	<u>TOTAL</u>
(10)	Rate Class 210	713,539	711,495	983,759	2,408,793
(11)	Rate Class 220	458,789	468,766	569,477	1,497,032
(12)	Rate Class 225	19,500	20,000	21,000	60,500
(13)	Rate Class 240	26,230	24,863	47,929	99,022
(14)	Rate Class 245	294,439	351,939	412,472	1,058,850
(15)	Rate Class 260	1,369,004	1,537,183	1,632,357	4,538,544
(16)	Rate Class 270	<u>1,688,605</u>	<u>1,534,952</u>	<u>1,448,990</u>	<u>4,672,547</u>
(17)	Total	<u>4,570,106</u>	<u>4,649,198</u>	<u>5,115,984</u>	<u>14,335,288</u>

PROPOSED GCA SCHEDULES

Schedule 9B
Page 1 of 1

VECTREN NORTH
DETERMINATION OF STORAGE LOSSES AND ACTUAL COSTS
ATTRIBUTABLE TO TRANSPORTATION CUSTOMERS
FOR THE PERIOD JULY 1, 2006 THROUGH SEPTEMBER 30, 2006

Line No.	Month	Company Storage Injections (Dth) (Sch. 10, Col. A) (A)	Total Storage Losses (Dth) (B)	Allocation to Sales Customers [2] (C)	Allocation to Transportation Customers (D)	Weighted Average Cost of Gas [1] (E)	Amount [3] (F)
1	JULY 2006	(1,244,992)	(24,900)	21,165	3,735	\$6.568	\$24,531
2	AUGUST 2006	(996,287)	(19,926)	16,937	2,989	\$7.513	\$22,456
3	SEPTEMBER 2006	(325,462)	(6,509)	5,598	911	\$6.678	\$6,084
4	QUARTER TOTAL	(2,566,741)	(51,335)	43,700	7,635		\$53,071

[1] Sch. 7, Line 6/(Sch. 2A + Sch. 9B, Col. D + Sch. 9C, Col. C).

[2] To Sch. 11, Line 5d.

[3] To Sch. 6A, Line 4.

PROPOSED GCA SCHEDULES

Schedule 9C
Page 1 of 1

VECTREN NORTH
DETERMINATION OF COMPANY USE VOLUMES ATTRIBUTABLE TO TRANSPORTATION CUSTOMERS FOR
STORAGE FIELD AND DISTRIBUTION OPERATIONS
FOR THE PERIOD JULY 1, 2006 THROUGH SEPTEMBER 30, 2006

Line No.	Month	Total (Dth) (A)	Allocation to Sales Customers [2] (B)	Allocation to Transportation Customers (C)	Weighted Average Cost of Gas [1] (D)	Amount [3] (E)
JULY 2006						
1	Storage Field Operations	6,250	5,313	937		
2	Distribution Operations	8,750	2,275	6,475		
3	Total	15,000	7,588	7,412	\$6.568	\$48,682
AUGUST 2006						
4	Storage Field Operations	7,000	5,950	1,050		
5	Distribution Operations	9,000	2,340	6,660		
6	Total	16,000	8,290	7,710	\$7.513	\$57,925
SEPTEMBER 2006						
7	Storage Field Operations	7,500	6,450	1,050		
8	Distribution Operations	10,500	3,255	7,245		
9	Total	18,000	9,705	8,295	\$6.678	\$55,394
10	QUARTER TOTAL	49,000	25,583	23,417		162,001

[1] Sch. 7, Line 6/(Sch. 2A + Sch. 9B, Col. D + Sch. 9C, Col. C).

[2] To Sch. 11, Line 5c.

[3] To Sch. 6A, Line 4.

PROPOSED GCA SCHEDULES

**VECTREN NORTH
DETERMINATION OF UNACCOUNTED FOR GAS
FOR THE PERIOD JULY 1, 2006 THROUGH SEPTEMBER 30, 2006**

**Schedule 11
Page 1 of 3**

Line No.		(A) JULY 2006	(B) AUGUST 2006	(C) SEPTEMBER 2006	(D) TOTAL
(1)	Total Dth of Purchased Gas Delivered [1]	<u>3,822,953</u>	<u>3,660,673</u>	<u>2,858,837</u>	<u>10,342,463</u>
(2)	Total Dth of Transport & ICC Gas Delivered by Pipeline				
	(a) Cash Outs	(28,958)	30,682	(25,832)	<u>(24,108)</u>
	(b) Customer Transp. Deliveries	3,373,953	3,340,450	3,511,359	<u>10,225,762</u>
	(c) ICC purchased deliveries	0	0	0	<u>0</u>
	(d) Total Transported Gas Delivered (Line 2a + Line 2b + Line 2c)	<u>3,344,995</u>	<u>3,371,132</u>	<u>3,485,527</u>	<u>10,201,654</u>
	(i) Transportation Retention	13,592	14,271	15,267	<u>43,130</u>
(3)	Total Dth of Gas (Injected Into) / Withdrawn From Storage (Schedule 10 Col. E)	<u>(2,601,369)</u>	<u>(2,366,468)</u>	<u>(1,268,756)</u>	<u>(6,236,593)</u>
(4)	Total Dth of Fuel Loss	(36,195)	(36,866)	(28,055)	<u>(101,116)</u>
(5)	Total Dth of Other Gas Injected Into/Withdrawn From System				
	(a) Gas Loss - Facilities Damage Rpt.	0	0	0	0
	(b) Gas Usage Not Billed Due to NONR	(1,123)	0	(172)	(1,295)
	(c) Operations Usage (Sch. 9C, Col. B)	(7,588)	(8,290)	(9,705)	(25,583)
	(d) Storage Losses (Sch. 9B, Col. C)	(21,165)	(16,937)	(5,598)	(43,700)
(6)	Total Dth of Gas Available (L 1 + L 2d + L 3 + L 4 + L 5a + L 5b + L 5c + L5d)	<u>4,500,508</u>	<u>4,603,244</u>	<u>5,032,078</u>	<u>14,135,830</u>
	(a) Total Available less Retention (L6 - L 2 (d) (i))	<u>4,486,916</u>	<u>4,588,973</u>	<u>5,016,811</u>	<u>14,092,700</u>
(7)	Total Dth of Gas Sold (Sch. 7A Line 4)	<u>1,198,558</u>	<u>1,205,124</u>	<u>1,601,165</u>	<u>4,004,847</u>
(8)	Total Dth of Gas Transported to Customers (Schedule 7A, Line 8)	3,371,548	3,444,074	3,514,819	10,330,441
(9)	Total Dth of Gas Delivered to Customers (Line 7 + Line 8)	<u>4,570,106</u>	<u>4,649,198</u>	<u>5,115,984</u>	<u>14,335,288</u>
(10)	Unaccounted For Gas				
	(a) Total Dth of Unaccounted For Gas (Line 6 - Line 9)	<u>(69,598)</u>	<u>(45,954)</u>	<u>(83,906)</u>	<u>(199,458)</u>
	(b) UAF Volumes Net of Transportation Retention (Line 6(a) - Line 9)	(83,190)	(60,225)	(99,173)	<u>(242,588)</u>
(11)	Percentage of Unaccounted for Gas (Line 10(a) / Line 6)	<u>-1.546448%</u>	<u>-0.998296%</u>	<u>-1.667422%</u>	<u>-1.411010%</u>

[1] Sch. 8B, Col. E. & Propane Sch. 8, Col. B

PROPOSED GCA SCHEDULES

VECTREN NORTH
Determination of Unaccounted for Gas Recoveries
For three month period ending September 30, 2006

Rates 210 and 220

Line No.		JULY 2006		AUGUST 2006		SEPTEMBER 2006	
		Rate 210	Rate 220	Rate 210	Rate 220	Rate 210	Rate 220
1	Order Granted UAFG Costs (Sch. 11, P 3, Lines 1, 2 and 3)	\$ 48,591	\$ 29,737	\$ 48,650	\$ 29,678	\$ 54,776	\$ 32,057
2	SRC Change in Customer Count	45	3	46	5	50	6
3	UAFG/Customer (a)	\$ 0.10	\$ 0.62	\$ 0.10	\$ 0.61	\$ 0.11	\$ 0.66
4	New Customer Adjustment (Line 2 X 3)	\$ 5	\$ 2	\$ 5	\$ 3	\$ 6	\$ 4
5	Adjusted Order Granted UAFG Costs (Line 1 + 4)	\$ 48,595	\$ 29,739	\$ 48,655	\$ 29,681	\$ 54,782	\$ 32,061
6	Total Adjusted Order Granted UAFG Costs (b)	<u>\$ 78,334</u>		<u>\$ 78,336</u>		<u>\$ 86,842</u>	

(a) Line 1 divided by number of customers in Cause No. 43298 (Rate 210 - 506,481; Rate 220 - 48,303).

(b) Recovered via the Sales Reconciliation Component of the Energy Efficiency Rider.

Rate 240

		Actual Sales Volumes (Sch. 7A)		Actual Sales Volumes (Sch. 7A)		Actual Sales Volumes (Sch. 7A)	
			Recoveries (c)		Recoveries (c)		Recoveries (c)
7	Rate 240 UAFG Costs Recoveries	26,230	\$ 1,051	24,863	\$ 996	47,929	\$ 1,920
8	Total UAFG Cost Recoveries (Line 6 + 7) (To Sch. 6, Line 11)	<u>\$ 79,385</u>		<u>\$ 79,331</u>		<u>\$ 88,762</u>	

(c) Schedule 7A volumes * 0.5% * \$8.01.

PROPOSED GCA SCHEDULES**VECTREN NORTH****Allocated Base Rate Unaccounted for Gas Costs per Order Granted in Cause No. 43298**

Line No.	Month	Sales from Sch. 2A		Order Granted UAFG Recoveries Monthly Allocation	
		Rate 210	220	Rate 210	Rate 220
1	July	811,281	496,500	\$ 48,591	\$ 29,737
2	August	812,274	495,507	\$ 48,650	\$ 29,678
3	September	914,553	535,227	\$ 54,776	\$ 32,057
4	October	2,087,286	1,005,909	\$ 125,016	\$ 60,248
5	November	4,242,096	1,862,868	\$ 254,075	\$ 111,574
6	December	6,857,658	2,903,532	\$ 410,731	\$ 173,904
7	January	8,349,144	3,532,101	\$ 500,062	\$ 211,551
8	February	6,569,688	2,808,204	\$ 393,484	\$ 168,194
9	March	5,074,230	2,201,481	\$ 303,915	\$ 131,855
10	April	2,853,882	1,326,648	\$ 170,930	\$ 79,458
11	May	1,431,906	746,736	\$ 85,762	\$ 44,725
12	June	843,057	510,402	\$ 50,494	\$ 30,570
13	Total	<u>40,847,055</u>	<u>18,425,115</u>	<u>\$ 2,446,486</u>	<u>\$ 1,103,551</u>

PROPOSED GCA SCHEDULES

Schedule 11A

**VECTREN NORTH
DETERMINATION OF ANNUAL UNACCOUNTED FOR GAS LEVEL
FOR THE YEAR ENDING SEPTEMBER 2006**

Line No.		(A) GCA90	(B) GCA91	(C) GCA92	(D) GCA93	(E) TOTAL
1	Volume of Unaccounted for Gas (Dth)	1,408,994	(233,138)	(550,990)	(199,458)	425,408
2	Total Volume Available (Dth)	35,847,772	40,821,552	17,211,426	14,193,414	108,074,164
3	Percent of Unaccounted for Gas (Line 1 / Line 2)	3.930%	-0.571%	-3.201%	-1.405%	0.394%
4	Net Cost of Gas	\$ 230,660,505	\$ 230,548,874	\$ 44,437,047	\$ 27,935,305	533,581,731
5	Cost of Unaccounted For Gas	\$ 14,946,198	\$ (3,685,279)	\$ (3,953,072)	\$ (882,329)	6,425,518

**VECTREN NORTH
ALLOCATION OF BAD DEBT GAS COST VARIANCES**

Line No.	Reconciliation Month	Variance
1	Bad Debt Gas Cost Variance: (Over) Under Recovery (Schedule 6, Line 15)	
	(a) July 2006	(\$79,235)
	(b) August 2006	(\$20,371)
	(c) September 2006	\$531,071
2	TOTAL	\$431,466

Distribution of Bad Debt Gas Cost Variance to GCA Quarters		
Quarter	(Line 2 * Quarterly Sales Percentages, Sch. 2A)	
3	Mar 2007 - May 2007	\$99,496
4	June 2007 - Aug 2007	\$29,081
5	Sep 2007 - Nov 2007	\$78,531
6	Dec 2007 - Feb 2008	\$224,358
7	Total Bad Debt Gas Cost Variance	\$431,466

Calculation of Bad Debt Gas Cost Variance For This Cause		
8	Cause No. 37394-GCA90 (Sch 12D , Line 6)	\$0
9	Cause No. 37394-GCA91 (Sch 12D , Line 5)	\$0
10	Cause No. 37394-GCA92 (Sch 12D , Line 4)	\$0
11	Variance from this GCA (Sch 12D , Line 3)	\$99,496
12	Total Bad Debt Gas Cost Variance to be Included in GCA	\$99,496
13	Adjusted Total Bad Debt Gas Cost Variance to be included in GCA (Line 12)	\$99,496
13a	March 2007 Variance (Line 13 / Sch. 2A Sales)	\$53,344
13b	April 2007 Variance (Line 13 / Sch. 2A Sales)	\$30,339
13c	May 2007 Variance (Line 13 / Sch. 2A Sales)	\$15,813

PROPOSED GCA SCHEDULES

VECTREN NORTH
Identification of Bad Debt Gas Cost Variance

Line No.	Reconciliation Month	(A)	(B)	(C)	(D)	(E)
		Total Bad Debts Exclusive IURT	Non-Gas Cost Component	[(A) - (B)] Gas Cost Component Written Off	Total Bad Debt Gas Cost Recoveries	[(C) - (D)] Variance
1	JULY 2006	\$ 950,000	\$ 247,000	\$ 703,000	\$ 782,235	\$ (79,235)
2	AUGUST 2006	\$ 1,100,000	\$ 286,000	\$ 814,000	\$ 834,371	\$ (20,371)
3	SEPTEMBER 2006	\$ 1,000,000	\$ 260,000	\$ 740,000	\$ 208,929	\$ 531,071

PROPOSED GCA SCHEDULES
VECTREN NORTH
Determination of Bad Debt Gas Cost Recoveries
For three month period ending September 30, 2006

Rates 210 and 220

Line No.		JULY 2006		AUGUST 2006		SEPTEMBER 2006	
		Rate 210	Rate 220	Rate 210	Rate 220	Rate 210	Rate 220
1	Order Granted Bad Debt Gas Costs (Sch. 12, P 4, Lines 1, 2 and 3)	\$ 545,004	\$ 236,958	\$ 581,337	\$ 252,755	\$ 145,334	\$ 63,189
2	SRC Change in Customer Count	45	3	46	5	50	6
3	Bad Debt Gas Cost/Customer (a)	\$ 1.08	\$ 4.91	\$ 1.15	\$ 5.23	\$ 0.29	\$ 1.31
4	New Customer Adjustment (Line 2 X 3)	\$ 49	\$ 15	\$ 53	\$ 26	\$ 15	\$ 8
5	Adjusted Order Granted Bad Debt Gas Costs (Line 1 + 4)	\$ 545,052	\$ 236,973	\$ 581,390	\$ 252,782	\$ 145,349	\$ 63,197
6	Total Adjusted Order Granted Bad Debt Gas Costs (b)	<u>\$ 782,025</u>		<u>\$ 834,172</u>		<u>\$ 208,546</u>	

(a) Line 1 divided by number of customers in Cause No. 43298 (Rate 210 - 506,481; Rate 220 - 48,303).

(b) Recovered via the Sales Reconciliation Component of the Energy Efficiency Rider.

Rate 240

		Actual Sales Volumes (Sch. 7A)	Recoveries (c)	Actual Sales Volumes (Sch. 7A)	Recoveries (c)	Actual Sales Volumes (Sch. 7A)	Recoveries (c)
7	Rate 240 Bad Debt Gas Cost Recoveries	26,230	\$ 210	24,863	\$ 199	47,929	\$ 383
8	Total Bad Debt Gas Cost Recoveries (Line 6 + 7) (To Sch. 12, Page 2 of 4)		\$ 782,235		\$ 834,371		\$ 208,929

(c) Schedule 7A volumes * (0.91% * Rate 240 Gas Cost Revenues / Rate 240 volumes).
(Revenues and volumes from Cause No. 43298)

PROPOSED GCA SCHEDULES

VECTREN NORTH

Allocated Base Rate Bad Debt Gas Costs per Order Granted in Cause No. 43298

Line No.	Month	Monthly Bad Debt Percentage (b)	Allocated Bad Debt Gas Costs (a)	
			Rate 210	Rate 220
1	July	15.0%	\$ 545,004	\$ 236,958
2	August	16.0%	\$ 581,337	\$ 252,755
3	September	4.0%	\$ 145,334	\$ 63,189
4	October	4.0%	\$ 145,334	\$ 63,189
5	November	4.0%	\$ 145,334	\$ 63,189
6	December	8.0%	\$ 290,669	\$ 126,378
7	January	8.0%	\$ 290,669	\$ 126,378
8	February	9.0%	\$ 327,002	\$ 142,175
9	March	5.0%	\$ 181,668	\$ 78,986
10	April	6.0%	\$ 218,002	\$ 94,783
11	May	6.0%	\$ 218,002	\$ 94,783
12	June	15.0%	\$ 545,004	\$ 236,958
13	Total	100.00%	\$ 3,633,359	\$ 1,579,721

(a) Bad Debt gas costs allocated based on revenues in Cause No. 43298.

(b) Illustrative.

**VECTREN NORTH
ALLOCATION OF COMPANY USE COST VARIANCES
TRANSPORTATION CUSTOMERS**

Line No.	Reconciliation Month	Variance
-------------	----------------------	----------

1 Company Use Cost Variance: (Over) Under Recovery
(Schedule 6A, Line 7)

(a) July 2006	\$29,457
(b) August 2006	\$30,744
(c) September 2006	\$9,832

2	TOTAL	\$70,033
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Distribution of Company Use Cost Variance to GCA Quarters

(Line 2 * Quarterly Transportation Volumes
Percentages, Sch. 2B)

3	Mar 2007 - May 2007	\$17,662
4	June 2007 - Aug 2007	\$12,397
5	Sep 2007 - Nov 2007	\$16,210
6	Dec 2007 - Feb 2008	\$23,764
7	Total Company Use Variance	\$70,033

Calculation of Company Use Cost Variance For This Cause

8	Cause No. 37394-GCA90 (Sch 12E , Line 6)	\$0
9	Cause No. 37394-GCA91 (Sch 12E , Line 5)	\$0
10	Cause No. 37394-GCA92 (Sch 12E , Line 4)	\$0
11	Variance from this GCA (Sch 12E , Line 3)	\$17,662
12	Total Company Use Cost Variance to be Included in GCA	\$17,662
13	Adjusted Total Company Use Cost Variance to be included in GCA (Line 12)	\$17,662
13a	March 2007 Variance (Line 13 / Sch. 2B Transp. Volumes)	\$7,464
13b	April 2007 Variance (Line 13 / Sch. 2B Transp. Volumes)	\$5,380
13c	May 2007 Variance (Line 13 / Sch. 2B Transp. Volumes)	\$4,818

UNACCOUNTED FOR GAS COSTS EXAMPLE

GAS COST CONSTANT; UAFG PERCENTAGE DROPS

Line No.	UAFG %	Description	Annual Sales (Dth)	UAFG Volumes (Dth)
1	0.7%	Rate Case	60,000,000	423,000
2	0.6%	Actual UAFG	60,000,000	362,000

Commodity Cost of Gas			
Rate Case	\$	6.01	
Actual	\$	6.01	

Volume Variance of UAFG	\$ (366,610)	(362,000 - 423,000) X \$6.01
Price Variance of UAFG	\$ -	(\$6.01 - \$6.01) X 362,000
Total Variance	<u>\$ (366,610)</u>	Over-Recovery

UNACCOUNTED FOR GAS COSTS EXAMPLE

GAS COST INCREASES; UAFG PERCENTAGE DROPS

Line No.	UAFG %	Description	Annual Sales (Dth)	UAFG Volumes (Dth)
1	0.7%	Rate Case	60,000,000	423,000
2	0.6%	Actual UAFG	60,000,000	362,000

Commodity Cost of Gas

Rate Case	\$	6.01
Actual	\$	8.01

Volume Variance of UAFG	\$ (366,610)	(362,000 - 423,000) X \$6.01
Price Variance of UAFG	<u>\$ 724,000</u>	(\$8.01 - \$6.01) X 362,000
Total Variance	<u><u>\$ 357,390</u></u>	Under-Recovery

UNACCOUNTED FOR GAS COSTS EXAMPLE

GAS COST DECREASES; UAFG PERCENTAGE CONSTANT

Line No.	UAFG %	Description	Annual Sales (Dth)	UAFG Volumes (Dth)
1	0.5%	Rate Case	60,000,000	302,000
2	0.5%	Actual UAFG	60,000,000	302,000

Commodity Cost of Gas

Rate Case	\$	8.01
Actual	\$	6.01

Volume Variance of UAFG	\$	-	(423,000 - 423,000) X \$8.01
Price Variance of UAFG	\$	(604,000)	(\$6.01 - \$8.01) X 423,000
Total Variance	\$	<u>(604,000)</u>	Over-Recovery

UNACCOUNTED FOR GAS COSTS EXAMPLE

GAS COST DECREASES; UAFG PERCENTAGE INCREASES

Line No.	UAFG %	Description	Annual Sales (Dth)	UAFG Volumes (Dth)
1	0.5%	Rate Case	60,000,000	302,000
2	0.6%	Actual UAFG	60,000,000	362,000

Commodity Cost of Gas

Rate Case	\$	8.01
Actual	\$	6.01

Volume Variance of UAFG	\$ 480,600	(545,000 - 423,000) X \$8.01
Price Variance of UAFG	<u>\$ (724,000)</u>	(\$6.01 - \$8.01) X 545,000
Total Variance	<u><u>\$ (243,400)</u></u>	Over-Recovery

ACCELERATED MAIN REPLACEMENT PROGRAMS COST RECOVERY OUTSIDE OF FULL RATE CASE

Company	State	Status	Start Date
Alagasco (1)	Alabama	Approved	1990
Mobile Gas (1)	Alabama	Approved	2002
CenterPoint Energy	Arkansas	Approved	2001
Atlanta Gas Light	Georgia	Approved	1998
Duke Energy	Kentucky	Approved	2002
Atmos (1)	Louisiana	Approved	1999
CenterPoint Arkla (1)	Louisiana	Approved	2004
Northern Utilities	Maine	Approved	2005
CenterPoint Minnegasco (1)	Minnesota	Approved	2005
Atmos (1)	Mississippi	Approved	2005
Laclede Gas	Missouri	Approved	1990
Missouri Gas Energy	Missouri	Approved	2006
Montana-Dakota Utilities (1)	Montana	Approved	2005
Northern Utilities	New Hampshire	Completed	1992
Elizabethtown Gas	New Jersey	Approved	2006
Duke Energy	Ohio	Approved	2002
CenterPoint Arkla (1)	Oklahoma	Approved	2004
Northwest Natural	Oregon	Approved	2004
Piedmont Gas (1)	South Carolina	Approved	2005
South Carolina Electric & Gas (1)	South Carolina	Approved	2005
Nashville Gas	Tennessee	Completed	1991
Atmos Energy (2)	Texas	Approved	2003
CenterPoint Energy (2)	Texas	Approved	2003
Oneok (2)	Texas	Approved	2003
Roanoke Gas	Virginia	Approved	1999
Washington Gas (1)	Virginia	Pending	TBD

Notes:

(1) Recovery via Rate Stabilization mechanism, which adjusts rates annually to meet pre-established revenue and return targets, and utilizes expedited revenue requirement and cost of service studies.

(2) Recovery via Gas Reliability Infrastructure Program ("GRIP"), which allows natural gas utilities the opportunity to include in their rate base annually approved capital costs incurred in the prior calendar year. Utilities that enter the program are required to file a complete rate case once every five years.

PETITIONER'S EXHIBIT NO. SEA-7

DISTRIBUTION REPLACEMENT ADJUSTMENT ("DRA")

PROFORMA FILING SCHEDULES

(ILLUSTRATIVE)

Indiana Gas Company D/B/A
Vectren Energy Delivery of Indiana, Inc. (Vectren North)
Tariff for Gas Service
I.U.R.C. No. G-19

Sheet No. 40
Original Page 1 of 1

APPENDIX K

DISTRIBUTION REPLACEMENT ADJUSTMENT

("DRA")

APPLICABILITY

The Distribution Replacement Adjustment ("DRA") shall be applicable to all Customers receiving Gas Service under the Rate Schedules as set forth below in the DRA Charges section.

DESCRIPTION

The DRA shall recover Company's annual revenue requirement associated with its accelerated replacement of cast iron and/or bare steel related infrastructure. The DRA shall reflect the impact of cumulative net plant additions as offset by cumulative maintenance expense reductions at the end of the most recent twelve month period.

DRA CHARGES

The Distribution Replacement Adjustment shall be applied to each therm of metered gas usage each month. The current DRAs by Rate Schedule are set forth below:

<u>Rate Schedule</u>	<u>DRA (\$per Therm)</u>
210	\$0.0040
220	\$0.0022
225	\$0.0028
240	\$0.0010
245	\$0.0015
260	\$0.0012

Effective:

**VECTREN NORTH
DISTRIBUTION REPLACEMENT ADJUSTMENT
RATE SCHEDULE ALLOCATION FACTORS**

<u>Rate Schedule</u>	<u>Description</u>	<u>Allocation Factors (a) (%)</u>
210	Residential	68.286%
220	General Sales	16.183%
225	School Transportation	0.726%
240	Interruptible Sales	0.373%
245	Large General Transportation	4.289%
260	Large Volume Transportation	10.142%
Total		<u>100.000%</u>

(a) Distribution mains allocation factors, Cause No. 43298

**VECTREN NORTH
DERIVATION OF DISTRIBUTION REPLACEMENT ADJUSTMENT**

<u>Rate Schedule</u>	<u>Charge Adjusted</u>	(A) <u>Allocated DRA Revenue Requirement (a)</u>	(B) <u>Annual Volumes (Therms) (b)</u>	(C) <u>Proposed DRA per Therm (A)/(B)</u>
210	Distribution	\$1,739,721	440,419,036	\$0.0040
220	Distribution	\$412,301	188,292,689	\$0.0022
225	Distribution	\$18,503	6,722,047	\$0.0028
240	Distribution	\$9,511	9,099,901	\$0.0010
245	Distribution	\$109,277	73,014,095	\$0.0015
260	Distribution	<u>\$258,379</u>	<u>208,672,615</u>	\$0.0012
Total		<u><u>\$2,547,692</u></u>	<u><u>926,220,383</u></u>	

(a) Reflects total revenue requirement as derived on ACCOUNTING Schedule 3 multiplied by allocation factors reflected on RATES Schedule 2.

(b) Cost of Service Study, Cause #43298 (Illustrative)

**VECTREN NORTH
DISTRIBUTION REPLACEMENT ADJUSTMENT BILL IMPACTS**

<u>Rate Schedule</u>	(A) <u>Present Revenue(1)</u>	(B) <u>Previous DRA Revenue Amount</u>	(C) <u>Current DRA Revenue Amount</u> (Rates Sch. 3)	(D) <u>Incremental DRA Revenue Amount</u> (C) - (B)	(E) <u>Increase</u> (D)/(A)
210	\$599,207,486	\$0	\$1,739,721	\$1,739,721	0.29%
220	\$217,826,557	\$0	\$412,301	\$412,301	0.19%
225	\$1,448,005	\$0	\$18,503	\$18,503	1.28%
240	\$9,105,500	\$0	\$9,511	\$9,511	0.10%
245	\$8,124,507	\$0	\$109,277	\$109,277	1.35%
260	\$13,222,386	\$0	\$258,379	\$258,379	1.95%
Total	\$848,934,441	\$0	\$2,547,692	\$2,547,692	0.30%

(1) Pro forma revenues at proposed rates, Cause No. 43298

**VECTREN NORTH
DISTRIBUTION REPLACEMENT ADJUSTMENT
DETERMINATION OF APPROVED RECOVERIES
(FIRST ANNUAL FILING)**

Line	(A)	(B)	(C)
	Month	Allocation Factor (1)	Approved Recoveries (2)
1	September-08	5.33%	\$135,751
2	October-08	6.56%	\$167,188
3	November-08	8.87%	\$225,965
4	December-08	12.98%	\$330,724
5	Subtotal (To Rates Schedule 5 Line 16) (SEA-7, p.7 of 12)		\$859,627
6	January-09	14.76%	\$376,154
7	February-09	11.91%	\$303,539
8	March-09	10.15%	\$258,626
9	April-09	7.52%	\$191,649
10	May-09	5.40%	\$137,502
11	June-09	5.63%	\$143,511
12	July-09	5.25%	\$133,727
13	August-09	5.63%	\$143,357
14	Subtotal (To Rates Schedule 5 Line 15) (SEA-7, p.9 of 12)		\$1,688,066

(1) Monthly volumes, as a percentage of annual volumes, as of May 1, 2008

(2) Allocation Factor in Column B times Revenue Requirement from ACCOUNTING Schedule 3 Line 13.

**VECTREN NORTH
DISTRIBUTION REPLACEMENT ADJUSTMENT
DETERMINATION OF APPROVED RECOVERIES
(SECOND ANNUAL FILING)**

Line	(A)	(B)	(C)
	Month	Allocation Factor (1)	Approved Recoveries (2)
1	September-09	5.83%	\$148,489
2	October-09	6.56%	\$167,188
3	November-09	9.37%	\$238,703
4	December-09	12.98%	\$330,724
5	Subtotal (To Rates Schedule 5 Line 16) (SEA-7, p. 9 of 12)		<u>\$885,104</u>
6	January-10	15.26%	\$388,893
7	February-10	11.91%	\$303,539
8	March-10	10.15%	\$258,626
9	April-10	7.02%	\$178,911
10	May-10	5.40%	\$137,502
11	June-10	4.63%	\$118,034
12	July-10	5.25%	\$133,727
13	August-10	5.63%	\$143,357
14	Subtotal (To Rates Schedule 5 Line 15)		<u>\$1,662,589</u>

(1) Monthly volumes, as a percentage of annual volumes, as of May 1, 2009

(2) Allocation Factor in Column B times Revenue Requirement from ACCOUNTING Schedule 3 Line 13.

**VECTREN NORTH
DISTRIBUTION REPLACEMENT ADJUSTMENT
REVENUE REQUIREMENT RECONCILIATION
(SECOND ANNUAL FILING)**

	(A)	(B)	(C)	(D)
Line	Period	Approved Recoveries	Actual Recoveries	Under/(Over) Recovery
15	---	---	---	---
16	9/1/2008-12/31/2008	<u>\$859,627</u>	<u>\$859,627</u>	<u>\$0</u>
17	Total	<u><u>\$859,627</u></u>	<u><u>\$859,627</u></u>	<u><u>\$0</u></u>
18	Adjustment (to ACCOUNTING Schedule 3 Line 12)			<u><u>\$0</u></u>

**VECTREN NORTH
DISTRIBUTION REPLACEMENT ADJUSTMENT
DETERMINATION OF APPROVED RECOVERIES
(THIRD AND SUBSEQUENT ANNUAL FILINGS)**

Line	(A)	(B)	(C)
	Month	Allocation Factor (1)	Approved Recoveries (2)
1	September-10	6.83%	\$173,966
2	October-10	5.56%	\$141,711
3	November-10	8.87%	\$225,965
4	December-10	12.98%	\$330,724
5	Subtotal (To RATES Schedule 5 Line 16)		<u>\$872,365</u>
6	January-11	15.26%	\$388,893
7	February-11	10.91%	\$278,062
8	March-11	10.15%	\$258,626
9	April-11	7.52%	\$191,649
10	May-11	7.40%	\$188,456
11	June-11	4.63%	\$118,034
12	July-11	4.25%	\$108,250
13	August-11	5.63%	\$143,357
14	Subtotal (To RATES Schedule 5 Line 15)		<u>\$1,675,327</u>

(1) Monthly volumes, as a percentage of annual volumes, as of May 1, 2009

(2) Allocation Factor in Column B times Revenue Requirement from ACCOUNTING Schedule 3 Line 13.

**VECTREN NORTH
DISTRIBUTION REPLACEMENT ADJUSTMENT
REVENUE REQUIREMENT RECONCILIATION
(THIRD AND SUBSEQUENT ANNUAL FILINGS)**

	(A)	(B)	(C)	(D)
Line	Period	Approved Recoveries	Actual Recoveries	Under/(Over) Recovery
15	1/1/2009-8/31/2009	\$1,688,066	\$1,688,066	\$0
16	9/1/2009-12/31/2009	\$885,104	\$885,104	\$0
17	Total	<u>\$2,573,169</u>	<u>\$2,573,169</u>	<u>\$0</u>
18	Adjustment (to ACCOUNTING Schedule 3 Line 12)			<u>\$0</u>

**VECTREN NORTH
DISTRIBUTION REPLACEMENT ADJUSTMENT
DERIVATION OF AFUDC RATES**

DECEMBER 1, 2005 THROUGH DECEMBER 31, 2005 (1)

<u>Line</u>		<u>Amount</u>	<u>Capitalization Ratios (%)</u>	<u>Cost Rate Percentage (%)</u>
1	Average Short-Term Debt & Computation of Allowance Text	S \$155,464,000		
2	Short-Term Interest			s 3.40%
3	Long-Term Debt	D \$374,458,000	48.72%	d 5.81%
4	Preferred Stock	P \$0	0.00%	p 0.00%
5	Common Equity	C <u>\$394,198,000</u>	<u>51.28%</u>	c 12.25%
6	Total Capitalization (3) + (4) + (5)	T \$768,656,000	100.00%	
7	Average CWIP Balance	W \$82,631,000		
8	Gross Rate for Borrowed Funds: $s(S/W) + d(D/T)(1 - S/W)$			3.90%
9	Rate for Other Funds: $(1 - S/W) * [p(P/T) + c(C/T)]$			<u>0.00%</u>
10	Combined Rate (8) + (9)			3.90%

(1) AFUDC calculations will be shown for each month applicable to the DRA filing.

**VECTREN NORTH
DISTRIBUTION REPLACEMENT ADJUSTMENT
SUMMARY OF DRA PROJECT COSTS**

Line	Capital Project Components	Costs Incurred Through (DATE)			
		(A) Actual Completed Cost	(B) Prior Period Balance	(C) Activity	(D) Current Period Balance
1	Cast Iron Mains	\$5,302,851	\$0	\$5,302,851	\$5,302,851
2	Bare Steel Mains	\$3,935,565	\$0	\$3,935,565	\$3,935,565
3	Bare Steel Services	\$8,006,580	\$0	\$8,006,580	\$8,006,580
4	Total	\$17,244,996	\$0	\$17,244,996	\$17,244,996
5	Less Accumulated Depreciation				\$341,358
6	Net Plant				\$16,903,638

**VECTREN NORTH
CALCULATION OF DISTRIBUTION REPLACEMENT ADJUSTMENT
ANNUAL REVENUE REQUIREMENT**

<u>Line</u>	<u>Revenue Requirement:</u>	
1	Construction Costs (Accounting Sch. 2)	\$17,244,996
2	Less: Accumulated Depreciation (Accounting Sch. 2)	<u>(\$341,358)</u>
3	Net Construction Costs	\$16,903,638
4	Rate of Return (Authorized)	<u>8.43%</u>
5	Required Return (NOI) (Line 3 X Line 4)	\$1,424,977
6	Conversion Factor (Per Cause No. 43298)	<u>67.2%</u>
7	Revenue Requirement (Line 5 / Line 6)	\$2,120,908
8	Incremental Property Taxes	\$129,960
9	Depreciation (Current Year and Deferred)	\$341,358
10	Maintenance Cost Reduction	<u>(\$44,535)</u>
11	Revenue Requirement (Line 7+8+9+10)	\$2,547,692
12	Current Year Adjustment (Rates Schedule 5, Line 18)	\$0
13	Total Revenue Requirement	<u><u>\$2,547,692</u></u>

DISTRIBUTION REPLACEMENT ADJUSTMENT

Estimated Margin Increases by Rate Schedule

Year	1	2	3	4	5	6	7	8	9	10
Revenue Requirement	\$2,547,692	\$5,429,398	\$7,991,110	\$10,469,116	\$12,863,266	\$15,173,430	\$17,399,478	\$19,541,296	\$21,597,512	\$23,568,067
Rate 210	0.89%	1.89%	2.79%	3.65%	4.49%	5.29%	6.07%	6.82%	7.53%	8.22%
Rate 220	0.91%	1.94%	2.85%	3.74%	4.59%	5.42%	6.21%	6.97%	7.71%	8.41%
Rate 225	1.28%	2.72%	4.01%	5.25%	6.45%	7.61%	8.73%	9.80%	10.83%	11.82%
Rate 240	0.91%	1.94%	2.85%	3.74%	4.59%	5.42%	6.22%	6.98%	7.71%	8.42%
Rate 245	1.35%	2.87%	4.22%	5.53%	6.79%	8.01%	9.19%	10.32%	11.40%	12.44%
Rate 260	1.95%	4.16%	6.13%	8.03%	9.87%	11.64%	13.35%	14.99%	16.57%	18.08%

Year	11	12	13	14	15	16	17	18	19	20
Revenue Requirement	\$25,452,962	\$27,252,195	\$28,965,768	\$30,599,796	\$32,159,635	\$33,633,813	\$35,022,330	\$36,325,187	\$37,542,382	\$38,673,917
Rate 210	8.88%	9.51%	10.10%	10.67%	11.22%	11.73%	12.22%	12.67%	13.10%	13.49%
Rate 220	9.08%	9.73%	10.34%	10.92%	11.48%	12.00%	12.50%	12.97%	13.40%	13.80%
Rate 225	12.77%	13.67%	14.53%	15.35%	16.13%	16.87%	17.57%	18.22%	18.83%	19.40%
Rate 240	9.09%	9.73%	10.35%	10.93%	11.49%	12.01%	12.51%	12.98%	13.41%	13.81%
Rate 245	13.44%	14.39%	15.29%	16.15%	16.98%	17.76%	18.49%	19.18%	19.82%	20.42%
Rate 260	19.52%	20.90%	22.22%	23.47%	24.67%	25.80%	26.86%	27.86%	28.80%	29.66%

DISTRIBUTION REPLACEMENT ADJUSTMENT

Estimated Residential Customer Bill Impacts

Year	1	2	3	4	5	6	7	8	9	10
Revenue Requirement	\$2,547,692	\$5,429,398	\$7,991,110	\$10,469,116	\$12,863,266	\$15,173,430	\$17,399,478	\$19,541,296	\$21,597,512	\$23,568,067

Bill Impact vs. 2006 (*)

Annual Dollars	\$3.43	\$7.32	\$10.77	\$14.11	\$17.34	\$20.46	\$23.46	\$26.35	\$29.12	\$31.78
Percentage	0.29%	0.62%	0.91%	1.19%	1.47%	1.73%	1.98%	2.23%	2.46%	2.69%

Year	11	12	13	14	15	16	17	18	19	20
Revenue Requirement	\$25,452,962	\$27,252,195	\$28,965,768	\$30,599,796	\$32,159,635	\$33,633,813	\$35,022,330	\$36,325,187	\$37,542,382	\$38,673,917

Bill Impact vs. 2006 (*)

Annual Dollars	\$34.32	\$36.74	\$39.05	\$41.26	\$43.36	\$45.35	\$47.22	\$48.98	\$50.62	\$52.14
Percentage	2.90%	3.11%	3.30%	3.49%	3.67%	3.83%	3.99%	4.14%	4.28%	4.41%

(*) assumes GCA = \$9.02/Dth

**INDIANA GAS COMPANY, INC
D/B/A
VECTREN ENERGY DELIVERY OF INDIANA, INC.
(VECTREN NORTH)**

**TARIFF FOR GAS SERVICE
I.U.R.C. No. G-19**

**ISSUED PURSUANT TO ORDER OF THE
INDIANA UTILITY REGULATORY COMMISSION
IN CAUSE NO. 43298
EFFECTIVE:**

Communications concerning this tariff may be addressed to:

**Mail: Regulatory Affairs Department
Vectren Corporation
One Vectren Square
Evansville, IN 47708**

Phone: 800-227-1376

E-mail: VectrenCustomerCare@Vectren.com

Effective:

TARIFF SHEET **INDEX**

TARIFF **SHEET** **NO.**

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TARIFF
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TARIFF
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LOCATIONS SERVED

Cities, Towns and Unincorporated Communities

Adams	Crane	Jefferson	Ninevah
Albany	Crawfordsville	Jeffersonville	Noblesville
Alexandria	Cumberland	Jonesboro	North Salem
Amity	Daleville	Jonesville	North Terre Haute
Anderson	Dana	Kingman	Numa
Andrews	Danville	Kirklin	Oakville
Annapolis	Dayton	Knightstown	Old Bangersville
Antioch	Decatur	Knightsville	Oolitic
Arcadia	Dolan	Ladoga	Orestes
Aroma	Dresser	Lafayette	Owensburg
Ashboro	Dublin	LaFontaine	Paragon
Atherton	Dundee	Lambs Lake	Parker City
Atlanta	Dunkirk	Lapel	Pence
Attica	Dunreith	Larmier Hill	Pendleton
Avon	East Columbus	Lebanon	Pershing
Bainbridge	East Germantown	Lewisville (Henry Co.)	Philadelphia
Bakers Corner	East Glenn	Lewisville (Morgan Co.)	Pike
Bargersville	Eaton	Libertyville	Pimento
Battle Ground	Eden	Linden	Pittsboro
Bedford	Edgewood	Linwood	Plainfield
Bethany	Edinburg	Lizton	Poneto
Billtown	Ellettsville	Lyford	Plum Tree
Billville	Elston	Lynn	Poland
Blanford	Elwood	Madison	Prairieton
Bloomington	Emporia	Majenica	Prairie City
Bloomington	Fairland	Marion	Prince's Lakes
Boyleston	Fairmount	Marion Heights	Providence
Bluffton	Fairview Park	Markle	Putnamville
Brazil	Farmland	Markleville	Quincy
Bridgeport	Fayette	Marshall	Raleigh
Brooklyn	Ferguson Hill	Martinsville	Raysville
Brookmore	Fishers	Martz	Redkey
Brookston	Florida Station	Matthews	Reed
Brownsburg	Floyds Knobs	Maxwell	Richmond
Buck Creek	Fontanet	Mays	River Forest
Bud	Fortville	McCordsville	Roachdale
Burnett	Fowlerton	Mecca	Rockford
Burney	Frankfort	Mechanicsburg	Rockville
Cambridge City	Franklin	Michigantown	Romney
Cammack	Frankton	Middletown	Rosedale
Carbon	Garden City	Mier	Rosstown
Cardonia	Garfield	Millersburg	Royerton
Carmel	Gas City	Millgrove	Rushville
Carpentersville	Gaston	Milton	St. Bernice
Cayuga	Gem	Mitchell	St. Mary Of The Woods
Centenary	Glenn Ayre	Modoc	Saline City
Center Point	Greencastle	Monroeville	Samaria
Centerton	Greenfield	Montezuma	Sandcut
Centerville	Greensburg	Montpelier	Sanford
Charlestown	Greenwood	Mooreville	Seelyville
Charlottesville	Hagerstown	Morgantown	Sellersburg
Chesterfield	Hamburg	Mount Auburn	Selma
Cicero	Hanover	Mount Comfort	Sexton
Circleville	Harmony	Mount Summit	Seymour
Clarksville	Harrodsburg	Mulberry	Shadeland
Clay City	Hartford City	Muncie	Shelbyville
Clear Creek	Hillsboro	Needham	Shepardsville
Clermont	Hillsdale	Needmore	Sheridan
Clifford	Hindustan	New Albany	Shideler
Clinton	Home Place	New Britton	Shirkieville
Cloverdale	Hope	New Castle	Shoals
Cloverland	Hopewell	New Columbus (Ovid)	Sims
Columbus	Hortonville	New Goshen	Smith Valley
Converse	Huntington	New Palestine	Smithfield
Covington	Huntsville	New Whiteland	South Rob
Cowan	Ingalls	Newport	Speed

Effective:

LOCATIONS SERVED

Cities, Towns and Unincorporated Communities

Spelterville
Spiceland
Spring Grove
Spring Lake
Springport
Springville
Staunton
Summit Grove
Summitville
Stockwell
Straughn
Swayzee
Sweetser
Tangier
Taylorsville
Tecumseh
Terre Haute
Thorntown
Tipton
Toad Hop
Trafalgar
Ulen
Unionport
Unionville
Universal
Upland
Utica
Van Buren
Veedersburg
Walesboro
Warren
Watson
Waverly
Waynesville
Waynetown
West Lafayette
West Terre Haute
Westpoint
Westport
Westwood
Whitcomb Heights
Whiteland
Whitestown
Williamsport
Windsor
Yeddo
Yorktown
Youngstown
Zionsville

LOCATIONS SERVED

Listing of Locations Served By County

Adams County
Decatur
Rural Areas

Allen County
Monroeville
Rural Areas

Bartholomew County
Clifford
Columbus
East Columbus
Garden City
Hope
Jonesville
Rosstown
Taylorsville
Walesboro
Waynesville

Blackford County
Hartford City
Millgrove
Montpelier

Boone County
Fayette
Lebanon
Kirklin
Mechanicsburg
Pike
Thorntown
Ulen
Whitestown
Zionsville

Clark County
Charlestown
Clarksville
Hamburg
Jeffersonville
Sellersburg
Speed
Utica
Watson

Clay County
Ashboro
Billtown
Billville
Brazil
Carbon
Cardonia
Center Point
Clay City
Cloverland

Harmony
Knightsville
Martz
Poland
Prairie City
Saline City

Clinton County
Antioch

Boyleston
Frankfort
Jefferson
Michigantown
Mulberry

Decatur County
Adams
Burney
Greensburg
Westport

Delaware County
Albany
Cammack
Cowan
Daleville
Eaton

Gaston
Muncie
Oakville
Reed
Royerton
Selma
Shideler
Smithfield
Yorktown

Fayette County
Rural Areas

Floyd County
Floyds Knobs
New Albany

Fountain County
Attica
Covington
Hillsboro
Kingman
Tangier
Veedersburg
Yeddo

Grant County
Fairmount
Fowlerton
Gas City
Jonesboro
Marion
Matthews
Mier
Sims
Swayzee
Sweetser
Upland
Van Buren

Green County
Crane
Owensburg

Hamilton County
Arcadia
Aroma
Atlanta
Bakers Corner
Carmel
Cicero
Fishers
Home Place
Hortonville
Millersburg
New Britton
Noblesville
Sheridan

Hancock County
Charlottesville
Eden
Fortville
Gem
Greenfield

Maxwell
McCordsville
Mount Comfort
New Palestine
Philadelphia
Spring Lake

Hendricks County
Avon
Brownsburg
Clermont
Danville
Lizton
North Salem
Pittsboro
Plainfield

Henry County
Dunreith
Knightstown
Lewisville
Middletown
Mount Summit
New Castle
Raysville
Spiceland
Springport
Straughn
Westwood

Huntington County
Andrews

Huntington
Majenica
Markle
Plum Tree
Warren

Jackson County
Rockford
Seymour

Jay County
Dunkirk
Redkey

Jefferson County
Hanover
Madison

Johnson County
Amity
Bargersville
Bud
Edinburg
Franklin
Greenwood
Hopewell
Lambs Lake
Needham
New Whiteland
Ninevah
Old Bargersville
Prince's Lakes
Providence
Samaria
Smith Valley
Trafalgar
Whiteland

Lawrence County
Bedford
Mitchell
Needmore
Oolitic

Madison County
Alexandria
Anderson
Chesterfield
Dundee
Edgewood
Elwood
Emporia
Florida Station
Frankton
Huntsville
Ingalls
Lapel
Linwood
Markleville

New Columbus
Orestes
Pendleton
River Forest
Summitville

Marion County
Bridgeport
Cumberland
Staunton

LOCATIONS SERVED

Listing of Locations Served By County

Martin County

Shoals

Miami County

Converse

Monroe County

Bloomington
Clear Creek
Dolan
Ellettsville
Harrodsburg
Hindustan
Springville
Unionville

Montgomery County

Crawfordsville
Garfield
Ladoga
Linden
Waynetown

Morgan County

Bethany
Brooklyn
Brookmore
Centerton
Lewisville
Martinsville
Mooresville
Morgantown
Paragon
Waverly

Orange County

Rural Areas

Owen County

Quincy
Rural Areas

Parke County

Annapolis
Bloomington
Lyford
Marshall
Mecca
Montezuma
Numa
Rockville
Rosedale

Putnam County

Bainbridge
Carpentersville
Cloverdale
Greencastle
Putnamville
Roachdale

Randolph County

Farmland
Lynn
Modoc
Parker City
Unionport
Windsor

Rush County

Circleville
Mays
Raleigh
Rushville
Sexton

Shelby County

Fairland
Shelbyville

Tippecanoe County

Battle Ground
Buck Creek
Dayton
Elston
Lafayette
Romney
Shadeland
South Rob
Stockwell
West Lafayette
Westpoint

Tipton County

Tipton

Vermillion County

Blanford
Cayuga
Centenary
Clinton
Dana
Fairview Park
Hillsdale
Newport
St. Bernice
Summit Grove
Universal

Vigo County

Atherton
Burnett
Dresser
East Glenn
Ferguson Hill
Fontanet
Glenn Ayre
Larmier Hill
Libertyville
Marion Heights
New Goshen

Vigo County, cont

North Terre Haute
Pimento
Prairieton

St. Mary Of The Woods
Sandcut
Sanford
Seelyville

Shepardsville
Shirkieville
Spelerville
Tecumseh

Terre Haute
Toad Hop
West Terre Haute
Whitcomb Heights
Youngstown

Wabash County

LaFontaine

Warren County

Pence
Williamsport

Wayne County

Cambridge City
Centerville
Dublin
East Germantown
Hagerstown

Milton
Mount Auburn
Pershing
Richmond
Spring Grove

Wells County

Rural Areas
Bluffton
Poneto

White County

Rural Areas
Brookston

DEFINITIONS

Except where the context requires otherwise, the following terms shall have the meanings defined below when used in this Tariff for Gas Service:

Abbreviations:

Btu - British Thermal Unit
Ccf - Hundred Cubic Feet
Cf - Cubic Foot
Cfh - Cubic Feet per Hour
Dth - Ten therms or One Dekatherm
FERC - Federal Energy Regulatory Commission
GCA - Gas Cost Adjustment
IURC - Indiana Utility Regulatory Commission
Mcf - Thousand Cubic Feet
OUC - Indiana Office of Utility Consumer Counselor
PSIG - Pounds per square inch gauge

Adjustment Rider - A unit cost applied to a Customer's Bill that recovers Company expenses approved by the Commission.

Alternate Fuel - The form of energy used by Customer in place of Gas Service during Curtailment periods. Gas Service provided by Company under another Rate Schedule shall not qualify as an Alternate Fuel.

Annual Usage - Customer's actual total gas usage for the most recent twelve consecutive billing months, or Company's estimate of Customer's total gas usage for the next twelve consecutive billing months if actual usage information is not available.

Bill - An itemized list or statement of fees and charges for Gas Service. A Bill may be rendered by mail or by electronic means.

British Thermal Unit - The average amount of heat necessary to increase the temperature of one pound of water by 1° Fahrenheit in the temperature range of 32° to 212° Fahrenheit at 14.73 pounds per square inch absolute pressure.

Btu Adjustment Factor - The average Btu content of gas supplied to Customer, as determined periodically by Company, which is applied to Customer's metered volumetric usage to determine therms usage for billing purposes.

Bypass - A direct or indirect interconnection of Customer's Premises with another supplier of gas service resulting in the displacement or substantial reduction in Gas Service provided by Company.

Cashout - The monetary settlement of over-delivery and under-delivery gas imbalances between Company and Pool Operators, School Suppliers, or Transportation Customers.

Central Clock Time (CCT) - Central Daylight Time when daylight savings time is in effect and Central Standard Time when daylight savings time is not in effect.

Commercial Customer - Any Customer primarily engaged in wholesale or retail trade and services (including central heating and air conditioning facilities of apartment complexes), any local, state and federal governmental agency and any Customer not covered by another classification. When Gas Service is supplied through one meter to an apartment house or multiple dwelling, the service shall be classified as Commercial, in which case the applicable Non-Residential service Rate Schedule shall apply.

Effective:

DEFINITIONS

Commission - The Indiana Utility Regulatory Commission.

Commission's Regulations - The Rules, Regulations and Standards of Service for Gas Public Utilities in Indiana, as promulgated from time-to-time by the Commission.

Company - Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc. (Vectren North).

Company-Supplied Gas - Gas purchased by Company for resale to Customer.

Company's General Terms and Conditions - General Terms and Conditions Applicable to Gas Service, as amended from time-to-time, and as approved by the Commission as part of this Tariff for Gas Service.

Curtailment - The interruption or limitation of the Gas Service available to Customer pursuant to Company's Curtailment Procedures.

Curtailment Period - The period of time, as specified by Company, during which Gas Service is subject to Curtailment.

Curtailment Procedures - Rule 24 of Company's General Terms and Conditions.

Customer - Any individual, partnership, association, firm, public or private corporation or any other entity receiving Gas Service provided by Company with its consent. A Customer shall include any person receiving Gas Service from Company irrespective of whether that person is the individual in whose name the Gas Service is being received.

Customer-Delivered Gas - Gas delivered by Customer, or on Customer's behalf, to Company's distribution system.

Daily Pipeline Nomination - Nomination made by School Supplier on pipeline's EBB indicating the quantity of gas being delivered to Company's city gate.

Daily Transportation Nomination - Nomination made by School Supplier on Company's EBB indicating the quantity of gas being delivered to Company's city gate.

Directed Delivery Quantity (DDQ) - The daily quantity of gas in Dth that School Supplier must deliver to Company's city gates, as specified by Company, to meet the Expected Demand of School Supplier's Pool, adjusted for prior imbalances associated with volume reconciliations, operating constraints, system knowledge/experience, and Company's Unaccounted for Gas Percentage.

Educational Institution - An institution administering or providing educational programs from kindergarten through post-secondary level.

Electronic Bulletin Board (EBB or Extranet) - Company's electronic communications software that facilitates nominations, confirmation and other administrative functions associated with Transportation Service.

Expected Demand - A School Supplier's Pool's forecasted usage for a particular gas day, as determined by Company.

Gas Cost Adjustment - Gas cost recovery process approved for the Company through various Commission orders, including the Commission's generic orders in Cause No. 37091.

DEFINITIONS

Gas Service - The availability of natural gas or a mixture of natural gas and other compatible gases at Company's point of delivery to Customer, irrespective of whether any such gas is actually consumed.

Group 1 - Company's designation for a Customer served by a meter with rated capacity of 450 Cfh or less.

Group 2 - Company's designation for a Customer served by a meter with rated capacity of greater than 450 Cfh and less than 5000 Cfh.

Group 3 - Company's designation for a Customer served by a meter with rated capacity of 5000 Cfh or greater.

Heating Degree Day - A standard measure of the coldness of the temperatures experienced, based on the extent to which the daily mean temperature falls below a reference temperature of 65 degrees Fahrenheit.

Industrial Customer - A Customer primarily engaged in a process which creates or changes raw or unfinished materials into another form or product.

Interrupted-type Pilot Light - A pilot light, attached to Customer's alternate fuel equipment, that requires gas only during the flame-establishing period and is cut-off at the end of this period.

Interruptible Service - Gas Service subject to Curtailment and requiring Customer to maintain Alternate Fuel capability.

Maximum Daily Usage - Customer's maximum actual gas usage or Company's estimate of Customer's maximum gas usage for any 24 hour period.

Mobile Home Park - Residential development which includes ten or more permanent Mobile Home sites.

Non-Gas Cost Revenue - Revenue received by Company from Customer, excluding gas costs such as pipeline storage and transportation costs, commodity gas costs, and other gas costs recovered through the Gas Cost Adjustment.

Non-Residential Customer - Any Customer that is not a Residential Customer.

Operating System - Any portion of Company's distribution system for which gas deliveries and gas demands must be balanced separately from other portions of the distribution system, due to operational and contractual limitations.

Operational Flow Order (OFO) - An order issued by the Company via its EBB, fax machine, or telephone directing Pool Operator, School Supplier or Transportation Customer to deliver specific quantities of gas via specific pipelines.

Peak Design Day Demand - The then-effective forecasted peak design day usage of a Customer Pool as calculated and communicated by Company.

Pool - A group of Transportation Customers who have been aggregated by a Pool Operator or School Supplier for gas supply management purposes.

Pool Operator - A marketer, supplier, or Transportation Customer that provides gas supply management for a Pool.

Effective:

DEFINITIONS

Pool Operator-Delivered Gas - Gas delivered by a Pool Operator or on Pool Operator's behalf, to Company's distribution system.

Premises - The main residence or living quarters for a Residential Customer, or the main building of a Commercial or Industrial Customer. The Premises shall include the outlying or adjacent buildings used by the same Customer, provided the use of Gas Service in the outlying or adjacent building(s) is supplemental to the Gas Service used in the main residence, main living quarters, or main building of Customer.

Rate Schedule - A Gas Service applicable to a particular classification of Customer with specific Availability, Applicability, Character of Service, Rates and Charges, and Terms and Conditions.

Residential Customer - Customer using Gas Service primarily for a single family dwelling unit, mobile home, apartment or condominium.

Sales Customer - A Customer receiving Sales Service from Company.

Sales Service - Gas Service involving the delivery by Company to Customer of Company-Supplied Gas.

School Supplier - A gas supplier that provides gas supply management for a Pool of Customers for which an Educational Institution is responsible for payment of rates and charges to Company.

School Pooling Agreement - An agreement between Company and School Supplier that defines the mutual responsibilities and obligations of those parties relative to services provided under Rate 285-School Pooling Service.

School Supplier-Delivered Gas - Gas delivered by a School Supplier, or on behalf of a School Supplier, to Company's distribution system.

School Transportation Agreement - Written agreement between Company and Educational Institution defining Terms and Conditions of the Educational Institution's Gas Service.

Service Area - Areas in which Company has Gas Service available, or may offer Gas Service, as certified by the Commission.

Spaceheating Customer - Any Customer receiving Gas Service, any part of which Customer uses as fuel for the heating of some portion or all of Customer's Premises.

Summer Season - The months of April through October, inclusive.

Therm - 100,000 Btu.

Throughput - The sum of Sales and Transportation Service quantities.

Transportation Customer - A Customer receiving Transportation Service from Company.

Transportation Service - Gas Service involving the delivery by Company to Customer of Customer-Delivered, School Supplier-Delivered or Pool Operator-Delivered gas.

Unapproved Use of Gas - Any use by Customer of Company-delivered gas that is inconsistent with Company's Tariff for Gas Service.

Winter Season - The months of November through March, inclusive.

Effective:

RATE 210

RESIDENTIAL SALES SERVICE

AVAILABILITY

This Rate Schedule shall be available throughout Company's Service Area, subject to the availability of adequate facilities and gas supplies, which determinations shall be within Company's reasonable discretion.

APPLICABILITY

This Rate Schedule shall be applicable only to Residential Customers.

CHARACTER OF SERVICE

This Rate Schedule applies to the provision of Sales Service. Transportation Service is not provided under this Rate Schedule. Gas Service provided hereunder shall be metered and billed separately from Gas Service provided under any other Rate Schedule.

RATES AND CHARGES

The monthly Rates and Charges for Sales Service hereunder shall be:

Customer Facilities Charge -

\$16.00 per meter

Distribution Charge -

First 45 therms @ \$0.2627 per therm

Over 45 therms @ \$0.1757 per therm

Appendices:

The following Appendices shall be applied monthly, if applicable:

- Appendix A – Gas Cost Adjustment
- Appendix B – Normal Temperature Adjustment
- Appendix G – Universal Service Fund Rider
- Appendix H – Pipeline Safety Adjustment
- Appendix I – Energy Efficiency Rider
- Appendix K – Distribution Replacement Adjustment

Minimum Monthly Charge -

The Minimum Monthly Charge shall be the Customer Facilities Charge.

Other Charges -

The Other Charges set forth in Appendix C shall be charged to Customer, if applicable.

TERMS AND CONDITIONS

Gas Service under this Rate Schedule shall be subject to Company's General Terms and Conditions and the Commission's Regulations.

RATE 211

UNMETERED GAS LIGHTING SALES SERVICE

AVAILABILITY

This Rate Schedule is available only to those Customers described in the APPLICABILITY section of this Rate Schedule.

APPLICABILITY

This Rate Schedule shall be applicable only to those certain Customers who have continuously received unmetered gas lighting sales service since March 1, 1984, at the address and service connection as of that date.

CHARACTER OF SERVICE

This Rate Schedule applies to the provision of unmetered Sales Service for gas lighting fixtures attached directly to Company's distribution mains or services. Transportation Service is not provided under this Rate Schedule. Gas Service provided hereunder shall be billed separately from Gas Service provided under any other Rate Schedule. No other burners, apparatus, appliances or equipment shall be piped or connected in any manner which will permit them to operate from the Gas Service provided under this Rate Schedule.

RATES AND CHARGES

The monthly Rates and Charges for Sales Service shall be:

Distribution Charge - \$3.91 per gas lighting fixture

Appendices:

The following Appendices shall be applied monthly, if applicable:

- Appendix A – Gas Cost Adjustment
- Appendix G – Universal Service Fund Rider
- Appendix H – Pipeline Safety Adjustment

Other Charges -

The Other Charges set forth in Appendix C shall be charged to Customer, if applicable.

TERMS AND CONDITIONS

Gas Service under this Rate Schedule shall be subject to Company's General Terms and Conditions and the Commission's Regulations.

Effective:

RATE 220 **GENERAL SALES SERVICE**

AVAILABILITY

This Rate Schedule shall be available throughout Company's Service Area, subject to the availability of adequate facilities and gas supplies, which determinations shall be within Company's reasonable discretion.

APPLICABILITY

This Rate Schedule shall be applicable to any Non-Residential Customer, electing service hereunder, whose Annual Usage is less than 500,000 therms and whose Maximum Daily Usage is less than 15,000 therms.

CHARACTER OF SERVICE

This Rate Schedule applies to the provision of Sales Service. Transportation Service is not provided under this Rate Schedule. Gas Service provided hereunder shall be metered and billed separately from Gas Service provided under any other Rate Schedule.

RATES AND CHARGES

The monthly Rates and Charges for Sales Service hereunder shall be:

Customer Facilities Charge -

- Group 1: \$16.00
- Group 2: \$36.00
- Group 3: \$75.00

Distribution Charge -

- First 45 therms @ \$0.2340 per therm
- Next 455 therms @ \$0.1583 per therm
- Over 500 therms @ \$0.1513 per therm

Appendices:

The following Appendices shall be applied monthly, if applicable:

- Appendix A – Gas Cost Adjustment
- Appendix B – Normal Temperature Adjustment
- Appendix G – Universal Service Fund Rider
- Appendix H – Pipeline Safety Adjustment
- Appendix I – Energy Efficiency Rider
- Appendix K – Distribution Replacement Adjustment

Minimum Monthly Charge –

The Minimum Monthly Charge shall be the Customer Facilities Charge.

Other Charges –

The Other Charges set forth in Appendix C shall be charged to Customer, if applicable.

CONTRACT

For Customers with Annual Usage greater than 250,000 therms, Customer shall enter into a written contract which specifies the hourly and daily maximum gas requirements of Customer and any other terms reasonably required by Company. The contract shall have an initial term of not less than one year and shall automatically extend for succeeding annual terms thereafter, subject to cancellation

Effective:

RATE 220 **GENERAL SALES SERVICE**

by either party after written notice submitted not less than ninety days prior to the end of the initial term or any succeeding annual term. However, in no event shall the contract expire during the Winter Season, unless such mid-winter termination date is mutually agreed upon.

CURTAILMENT

When sufficient capacity or quantities of gas are not available to Company to meet existing and reasonably anticipated demands of Customers or to protect and replenish Company's underground storage reserves, which determinations shall be within Company's reasonable discretion, Customer shall, as provided by Rule 24 and upon notice from Company, curtail use of gas to such extent and during such periods as Company shall specify.

Customer shall curtail gas usage in not more than two hours upon notice from Company directing Curtailment of Gas Service under this Rate Schedule.

Gas usage by Customer during a Curtailment period in excess of the quantity allowed shall be considered Unauthorized Gas Usage and shall be subject to the Unauthorized Gas Usage Charge set forth in Appendix C.

TERMS AND CONDITIONS

Gas Service under this Rate Schedule shall be subject to Company's General Terms and Conditions and the Commission's Regulations.

RATE 225

SCHOOL TRANSPORTATION SERVICE

AVAILABILITY

This Rate Schedule shall be available throughout Company's Service Area, subject to the availability of adequate facilities, which determination shall be within Company's reasonable discretion.

APPLICABILITY

This Rate Schedule shall be applicable to any Customer

- 1) whose Annual Usage is less than 50,000 therms and
- 2) for which payment of rates and charges to Company is the responsibility of an Educational Institution, which elects service hereunder.

CHARACTER OF SERVICE

This Rate Schedule applies to the provision of Transportation Service. Gas Service provided hereunder shall be metered and billed separately from Gas Service provided under any other Rate Schedule.

RATES AND CHARGES

The monthly Rates and Charges for Gas Service hereunder shall be:

Customer Facilities Charge –

- Group 1: \$22.50
- Group 2: \$43.50
- Group 3: \$82.50

Distribution Charge -

- First 45 therms @ \$0.2362 per therm
- Next 455 therms @ \$0.1604 per therm
- Over 500 therms @ \$0.1537 per therm

Appendices:

The following Appendices shall be applied monthly, if applicable:

- Appendix A – Gas Cost Adjustment
- Appendix B – Normal Temperature Adjustment
- Appendix G – Universal Service Fund Rider
- Appendix H – Pipeline Safety Adjustment
- Appendix I – Energy Efficiency Rider
- Appendix K – Distribution Replacement Adjustment

Related Charges –

Customer shall reimburse Company for all charges incurred on Customer's behalf in connection with transportation of gas for Customer's account, including any pipeline penalty charges or cashout provisions assessed to Company.

Effective:

RATE 225

SCHOOL TRANSPORTATION SERVICE

Minimum Monthly Charge –

The Minimum Monthly Charge shall be the Customer Facilities Charge.

Other Charges –

The Other Charges set forth in Appendix C shall be charged to Customer, if applicable.

Switching Charges –

Customer shall be charged \$10.00 per meter per switch for switching School Suppliers more than once per calendar year.

CURTAILMENT

When sufficient capacity or quantities of gas are not available to Company to meet existing and reasonably anticipated demands of Customers or to protect and replenish Company's underground storage reserves, which determinations shall be within Company's reasonable discretion, Customer shall, as provided under Rule 24 of the General Terms and Conditions Applicable to Gas Service ("Rule 24") and upon notice from Company, curtail use of gas to such extent and during such periods as Company shall specify.

Customer must curtail gas usage in not more than two hours upon notice from Company directing Curtailment of Gas Service under this Rate Schedule.

Gas usage by Customer during a Curtailment period in excess of the quantity allowed shall be considered Unauthorized Gas Usage and shall be subject to the Unauthorized Gas Usage Charge set forth in Appendix C.

SCHOOL TRANSPORTATION PROVISIONS

The following School Transportation Provisions are applicable to Customers served under this Rate Schedule.

- (1) A School Transportation Service Customer must become a member of a Pool pursuant to the provisions of Rate 285, School Pooling Service. School Supplier will be responsible for managing the Pool's gas supply. Customer shall enter into a School Transportation Agreement with Company that designates its selected School Supplier from a list of approved School Suppliers that have signed School Pooling Agreements with Company. Such elections will carry over from month to month unless Customer and School Supplier notify Company of any change at least ten (10) business days prior to the start of a new month.
- (2) Customer's prior delinquencies must be cured prior to commencing participation in School Transportation Service, unless otherwise agreed to in advance by Company. School Transportation Service will be effective as of Customer's next read date.
- (3) In the event of default of the School Supplier, Customer shall be returned to Sales Service or may designate another School Supplier. Customer shall be liable for its portion of applicable charges owed by defaulting School Suppliers, as determined by Company after review of all available facts and circumstances including documented deliveries and consumption.

RATE 225
SCHOOL TRANSPORTATION SERVICE

- (4) To compensate for unaccounted for gas losses, the quantity of gas available to School Transportation Customer on a daily basis shall be equal to the quantity of gas delivered to Company's distribution system at the point of receipt for the account of Customer, reduced by an Unaccounted For Gas Percentage as set forth in Appendix F.
- (5) A Customer that has voluntarily returned from School Transportation Service to Sales Service must remain on Sales Service for not less than one year before returning to School Transportation Service, unless expressly authorized by Company.
- (6) An Educational Institution must be a registered user of vectren.com to obtain historical usage information, and in order to obtain a single summary bill and remit a single monthly payment.

TERMS AND CONDITIONS

Gas Service under this Rate Schedule shall be subject to Company's General Terms and Conditions and the Commission's Regulations.

RATE 229

NATURAL GAS VEHICLE SERVICE

AVAILABILITY

This Rate Schedule is available only to those Customers described in the APPLICABILITY section of this Rate Schedule.

APPLICABILITY

This Rate Schedule shall be applicable to any Customer that elects to receive Gas Service under this Rate Schedule for the express and limited purpose of fueling a natural gas vehicle ("NGV").

CHARACTER OF SERVICE

Use of natural gas provided hereunder to a Customer-owned NGV facility is limited exclusively for the compression of such gas for use in fueling motorized vehicles and shall not be used by Customer for any other purpose. Gas Service provided hereunder from a designated Company-owned NGV facility is for the express and limited purpose of fueling natural gas vehicles by Customer.

This Rate Schedule applies to the provision of Sales Service. Transportation Service is not provided under this Rate Schedule. Gas Service provided hereunder shall be metered and billed separately from Gas Service provided under any other Rate Schedule.

RATES AND CHARGES

The monthly Rates and Charges for Sales Service hereunder shall be:

For Gas Service provided to a Customer-owned NGV facility:

Customer Facilities Charge -
\$36.00 per meter

Distribution Charge -
\$0.1583 per therm for all therms supplied

For Gas Service provided from a designated Company-owned NGV facility:

Distribution Charge -
\$0.4862 per therm for all therms supplied

Appendices:

The following Appendices shall be applied monthly:

- Appendix A – Gas Cost Adjustment
- Appendix G – Universal Service Fund Rider
- Appendix H – Pipeline Safety Adjustment

Taxes –

Customer shall be responsible for and shall reimburse the Company for all taxes payable by Company to governmental entities on the sale of natural gas for use in providing NGV service.

Effective:

RATE 229

NATURAL GAS VEHICLE SERVICE

Minimum Monthly Charge -

The Minimum Monthly Charge shall be the Customer Facilities Charge, if applicable.

Other Charges -

The Other Charges set forth in Appendix C shall be charged to Customer, if applicable.

CONTRACT

For Customers with Annual Usage greater than 250,000 therms, Customer shall enter into a written contract, which specifies the hourly and daily maximum gas requirements of Customer and any other terms reasonably required by Company. The Contract shall have an initial term of not less than one year and shall automatically extend for succeeding annual terms thereafter, subject to cancellation by either party after written notice submitted not less than ninety days prior to the end of the initial term or any succeeding annual term. However, in no event shall the Contract expire during the Winter Season, unless such mid-winter termination date is mutually agreed upon.

CURTAILMENT

When sufficient capacity or quantities of gas are not available to Company to meet existing and reasonably anticipated demands of Customers or to protect and replenish Company's underground storage reserves, which determinations shall be within Company's reasonable discretion, Customer shall, as provided by Rule 24 and upon notice from Company, curtail use of gas to such extent and during such periods as Company shall specify.

Customer shall curtail gas usage in not more than two hours upon notice from Company directing Curtailment of Gas Service under this Rate Schedule.

Gas usage by Customer during a Curtailment period in excess of the quantity allowed shall be considered Unauthorized Gas Usage and shall be subject to the Unauthorized Gas Usage Charge set forth in Appendix C.

TERMS AND CONDITIONS

Gas Service under this Rate Schedule shall be subject to Company's General Terms and Conditions and the Commission's Regulations.

RATE 240

INTERRUPTIBLE SALES SERVICE

AVAILABILITY

This Rate Schedule shall be available throughout Company's Service Area, subject to the availability of adequate facilities and gas supplies, which determinations shall be within Company's reasonable discretion.

APPLICABILITY

This Rate Schedule shall be applicable to any Non-Residential Customer that:

1. has an Annual Usage of less than 500,000 therms, and
2. has a Maximum Daily Usage of less than 15,000 therms, and
3. complies with the Alternate Fuel Capability Requirement of this Rate Schedule, and
4. enters into a written contract with Company to receive Gas Service under this Rate Schedule.

CHARACTER OF SERVICE

This Rate Schedule applies to the provision of Interruptible Sales Service. Transportation Service is not provided under this Rate Schedule. Gas Service provided hereunder shall be metered and billed separately from Gas Service provided under any other Rate Schedule.

RATES AND CHARGES

The monthly Rates and Charges for Sales Service hereunder shall be:

Customer Facilities Charge -

\$175.00

Distribution Charge -

First 2500 therms @ \$0.1840 per therm
Over 2500 therms @ \$0.0712 per therm

Appendices:

The following Appendices shall be applied monthly:

- Appendix A – Gas Cost Adjustment
- Appendix G – Universal Service Fund Rider
- Appendix H – Pipeline Safety Adjustment
- Appendix K – Distribution Replacement Adjustment

Minimum Monthly Charge -

The Minimum Monthly Charge shall be Customer Facilities Charge.

Other Charges -

The Other Charges set forth in Appendix C shall be charged to Customer, if applicable.

CONTRACT

Customer shall enter into a written contract which specifies the hourly and daily maximum gas requirements of Customer and any other terms reasonably required by Company. The contract shall have an initial term of not less than one year and shall automatically extend for succeeding annual terms thereafter, subject to cancellation by either party after written notice submitted not less than ninety days prior to the end of the initial term or any succeeding annual term. However, in no event shall the contract expire during the Winter Season, unless such mid-winter termination date is mutually agreed upon. The contract shall specify the Alternate Fuel to be used by Customer during Curtailment periods.

Effective:

RATE 240

INTERRUPTIBLE SALES SERVICE

ALTERNATE FUEL CAPABILITY REQUIREMENT

Customer shall be obligated to continuously provide and maintain on the Premises Alternate Fuel equipment and Alternate Fuel storage facilities and shall make necessary contractual arrangements for maintenance and replenishment of such Alternate Fuel capability sufficient to satisfy, during periods of Curtailment, all demands of Customer normally met by Gas Service provided under this Rate Schedule. Alternate Fuel capability is not required if Customer has no gas demands during the months of December, January and February.

Company shall have the right to require a test Curtailment for verifying Customer's compliance with the Alternate Fuel Capability Requirement of this Rate Schedule, each such Curtailment lasting not more than forty-eight hours. However, Company shall be under no obligation to require such a test. If Customer does not demonstrate compliance with the requirements set forth in this section, Company shall be entitled to discontinue Gas Service to Customer under this Rate Schedule until Customer demonstrates compliance to Company's satisfaction.

CURTAILMENT

When sufficient capacity or quantities of gas are not available to Company to meet existing and reasonably anticipated demands of Customers or to protect and replenish Company's underground storage reserves, which determinations shall be within Company's reasonable discretion, Customer shall, as provided by Rule 24 and upon notice from Company, curtail use of gas to such extent and during such periods as Company shall specify.

Customer shall curtail gas usage in not more than two hours upon notice from Company directing Curtailment of Gas Service under this Rate Schedule.

Only Interrupted-type Pilot Lights shall be provided Gas Service under this Rate Schedule during periods of Curtailment.

Gas usage by Customer during a Curtailment period in excess of the quantity allowed shall be considered Unauthorized Gas Usage and shall be subject to the Unauthorized Gas Usage Charge set forth in Appendix C.

TERMS AND CONDITIONS

Gas Service under this Rate Schedule shall be subject to Company's General Terms and Conditions and the Commission's Regulations.

RATE 245

LARGE GENERAL TRANSPORTATION SERVICE

AVAILABILITY

This Rate Schedule shall be available throughout Company's Service Area, subject to the availability of adequate facilities, which determination shall be within Company's reasonable discretion.

APPLICABILITY

This Rate Schedule shall be applicable to any Non-Residential Customer that:

1. has an Annual Usage of greater than or equal to 50,000 therms and less than 500,000 therms,
2. has a Maximum Daily Usage of less than 15,000 therms,
3. complies with the Measurement Requirement section of this Rate Schedule, and
4. enters into a written contract with Company to receive Gas Service under this Rate Schedule.

CHARACTER OF SERVICE

This Rate Schedule applies to the provision of Transportation Service. Interim Supply Service as described below may also be provided under this Rate Schedule, at Company's sole discretion. Gas Service provided hereunder shall be metered and billed separately from Gas Service provided under any other Rate Schedule.

RATES AND CHARGES

The monthly Rates and Charges for Gas Service hereunder shall be:

Customer Facilities Charge –

\$175.00

Distribution Charge –

Applicable to all therms delivered to Customer during the billing month.

First 2500 therms @ \$0.1681 per therm

Over 2500 therms @ \$0.0758 per therm

Appendices:

The following Appendices shall be applied monthly:

- Appendix A – Gas Cost Adjustment
- Appendix G – Universal Service Fund Rider
- Appendix H – Pipeline Safety Adjustment
- Appendix K – Distribution Replacement Adjustment

Related Charges –

Customer shall reimburse Company for all charges incurred on Customer's behalf in connection with transportation of gas for Customer's account, including any pipeline penalty charges or cashout provisions assessed to Company.

Nomination and Balancing Provisions Charges –

The various Charges and Cashouts set forth in Appendix E shall be charged to Customer, if applicable.

Minimum Monthly Charge –

The Minimum Monthly Charge shall be the Customer Facilities Charge.

Other Charges –

The Other Charges set forth in Appendix C shall be charged to Customer, if applicable.

Effective:

RATE 245

LARGE GENERAL TRANSPORTATION SERVICE

CONTRACT

Customer shall enter into a written contract which specifies the hourly and daily maximum gas requirements of Customer and any other terms reasonably required by Company. The contract shall have an initial term of not less than one year and shall automatically extend for succeeding annual terms thereafter, subject to cancellation by either party after written notice submitted not less than ninety days prior to the end of the initial term or any succeeding annual term. However, in no event shall the contract expire during the Winter Season, unless such mid-winter termination date is mutually agreed upon.

UNACCOUNTED FOR GAS PERCENTAGE

To compensate for unaccounted for gas losses, the quantity of gas available to Customer on a daily basis shall be equal to the quantity of gas delivered to Company's distribution system at the point of receipt for the account of Customer, reduced by an Unaccounted For Gas Percentage as set forth in Appendix F.

NOMINATION AND BALANCING PROVISIONS

Customer shall be subject to the provisions set forth in Appendix E.

MEASUREMENT REQUIREMENT

Customer shall provide and maintain on the Premises at the meter location electric and telephone service as required by Company for the operation of Company-owned electronic gas measurement devices and related communications equipment. If Customer's telephone line is frequently not available when Company seeks to obtain measurement data, Company may require Customer to provide a dedicated telephone line in order to continue Transportation Service under this Rate Schedule.

CURTAILMENT

When sufficient capacity or quantities of gas are not available to Company to meet existing and reasonably anticipated demands of Customers or to protect and replenish Company's underground storage reserves, which determinations shall be within Company's reasonable discretion, Customer shall, as provided by Rule 24 and upon notice from Company, curtail use of gas to such extent and during such periods as Company shall specify.

Customer shall curtail gas usage in not more than two hours upon notice from Company directing Curtailment of Gas Service under this Rate Schedule.

Gas usage by Customer during a Curtailment period in excess of the quantity allowed shall be considered Unauthorized Gas Usage and shall be subject to the Unauthorized Gas Usage Charge set forth in Appendix C.

INTERIM SUPPLY SERVICE

Company may provide Interim Supply Service in the event Customer is temporarily unable to obtain supply from supplier or Pool Operator. Company will provide such service on an interruptible month-to-month basis for a term as determined by Company. Customer shall be responsible for meeting all creditworthiness requirements as determined by Company, including, without limitation, pre-payment to Company for gas supply. Customer must execute a written agreement with Company to effectuate this service and service will not begin prior to the execution date of such agreement.

TERMS AND CONDITIONS

Gas Service under this Rate Schedule shall be subject to Company's General Terms and Conditions and the Commission's Regulations.

Effective:

RATE 260

LARGE VOLUME TRANSPORTATION SERVICE

AVAILABILITY

This Rate Schedule shall be available throughout Company's Service Area, subject to the availability of adequate facilities, which determinations shall be within Company's reasonable discretion.

APPLICABILITY

This Rate Schedule shall be applicable to any Non-Residential Customer that:

1. has an Annual Usage of 500,000 therms or greater, or has a Maximum Daily Usage of 15,000 therms or greater, or uses No. 6 fuel oil as an Alternate Fuel, and
2. complies with the Measurement Requirement section of this Rate Schedule, and
3. has entered into a written contract with Company to receive Gas Service under this Rate Schedule.

CHARACTER OF SERVICE

This Rate Schedule applies to the provision of Transportation Service. Interim Supply Service as described below may also be provided under this Rate Schedule, at Company's sole discretion. Gas Service provided hereunder shall be metered and billed separately from Gas Service provided under any other Rate Schedule.

RATES AND CHARGES

The monthly Rates and Charges for Gas Service hereunder shall be:

Customer Facilities Charge -

\$1,100.00

Distribution Charge -

Applicable to all therms delivered to Customer during the Billing Month.

First 50,000 therms @ \$0.0607 per therm

Next 250,000 therms @ \$0.0473 per therm

Over 300,000 therms @ \$0.0307 per therm

Appendices:

The following Appendices shall be applied monthly:

- Appendix A – Gas Cost Adjustment
- Appendix G – Universal Service Fund Rider
- Appendix H – Pipeline Safety Adjustment
- Appendix K – Distribution Replacement Adjustment

Related Charges –

Customer shall reimburse Company for all charges incurred on Customer's behalf in connection with transportation of gas for Customer's account, including any gas costs, pipeline penalty charges or Cashout provisions assessed to Company.

Nomination and Balancing Provisions Charges –

The various Charges and Cashouts set forth in Appendix E shall be charged to Customer, if applicable.

Minimum Monthly Charge –

The Minimum Monthly Charge shall be the Customer Facilities Charge.

Other Charges -

The Other Charges set forth in Appendix C shall be charged to Customer, if applicable.

Effective:

RATE 260

LARGE VOLUME TRANSPORTATION SERVICE

CONTRACT

Customer shall enter into a written contract with Company, which specifies the hourly and daily maximum gas requirements of Customer and any other terms reasonably required by Company. The contract shall have an initial term of not less than two years and shall automatically extend for succeeding two-year terms thereafter, subject to cancellation by either party after written notice submitted not less than six months prior to the end of the initial term or any succeeding two-year term.

UNACCOUNTED FOR GAS PERCENTAGE

To compensate for unaccounted for gas, the quantity of gas available to Customer on a daily basis shall be equal to the quantity of gas delivered to Company's distribution system at the point of receipt for the account of Customer, reduced by a Unaccounted For Gas Percentage as set forth in Appendix F.

NOMINATION AND BALANCING PROVISIONS

Customer shall be subject to the provisions set forth in Appendix E.

MEASUREMENT REQUIREMENT

Customer shall provide and maintain on the Premises at the meter location electric and telephone service as required by Company for the operation of Company-owned electronic gas measurement devices and related communications equipment. If Customer's telephone line is frequently not available when Company seeks to obtain measurement data, Company may require Customer to provide a dedicated telephone line in order to continue Transportation Service under this Rate Schedule.

CURTAILMENT

When sufficient capacity or quantities of gas are not available to Company to meet existing and reasonably anticipated demands of Customers or to protect and replenish Company's underground storage reserves, which determinations shall be within Company's reasonable discretion, Customer shall, as provided under Rule 24 and upon notice from Company, curtail use of gas to such extent and during such periods as Company shall specify.

Customer must curtail interruptible gas usage in not more than two hours upon notice from Company directing Curtailment of Gas Service under this Rate Schedule.

Gas usage by Customer during a Curtailment period in excess of the quantity allowed shall be considered Unauthorized Gas Usage and shall be subject to the Unauthorized Gas Usage Charge set forth in Appendix C.

INTERIM SUPPLY SERVICE

Company may provide Interim Supply Service in the event Customer is temporarily unable to obtain supply from supplier or Pool Operator. Company will provide such service on an interruptible month-to-month basis for a term as determined by Company. Customer shall be responsible for meeting all creditworthiness requirements as determined by Company, including, without limitation, pre-payment to Company for gas supply. Customer must execute a written agreement with Company to effectuate this service and service will not begin prior to the execution date of such agreement.

TERMS AND CONDITIONS

Gas Service under this Rate Schedule shall be subject to Company's General Terms and Conditions and the Commission's Regulations.

RATE 270

LONG-TERM CONTRACT SERVICE

AVAILABILITY

Availability of Gas Service under this Rate Schedule shall be determined by Company on a case-by-case basis, which determination shall be within Company's reasonable discretion. Gas Service hereunder shall also be subject to the prior approval by the Commission of the written contract between Company and Customer and subject to revocation, amendment or rescission by the Commission under applicable law.

APPLICABILITY

This Rate Schedule shall be applicable to any Commercial or Industrial Customer that agrees to receive Gas Service hereunder pursuant to a written contract with Company for one or more Premises. In order for customer to qualify for application of this Rate Schedule, Customer must establish by verified statement to Company, and Company must first determine in its reasonable discretion, that at one or more of Customer's Premises, the Gas Service to be provided under this Rate Schedule is required to enable Company to preserve or attract the load at such Premises. The aggregation of separate Premises for the purpose of receiving Gas Service under this Rate Schedule shall be limited to facilities owned by Customer or owned by a corporate affiliate of Customer.

CHARACTER OF SERVICE

This Rate Schedule applies to the provision of Gas Service as specified in the written contract between Company and Customer. Gas Service provided hereunder shall be metered and billed separately from Gas Service provided under any other Rate Schedule.

RATES AND CHARGES

The monthly Rates and Charges for Gas Service provided hereunder shall be referenced in the written contract between Company and Customer and the level of the Rates and Charges shall depend upon Company's assessment of the nature and extent of the competitive circumstances pertaining to the applicable Customer load, as well as any other reasonable factors affecting the appropriateness of that level, including, but not limited to, the quantity of Gas Service used or to be used, the time when such Gas Service is used or will be used, and the purpose for which such Gas Service is used or will be used. Except as otherwise provided in the written contract between Company and Customer, the Rates and Charges are subject to revision by the Commission as provided by law.

CONTRACT

Customer shall enter into a written contract with Company which specifies the terms and conditions of the Gas Service to be provided hereunder. The written contract shall include any terms and conditions reasonably required by Company, including, but not limited to, the following:

1. Customer must agree to a term for the written contract of at least five years; and
2. Customer must agree that during the term of the written contract it will not bypass Company's system via a direct or indirect interconnection with another supplier of gas service or displace or substantially reduce Company's provision of energy service to Customer through the use of an energy service other than natural gas.

Unless otherwise agreed between Company and Customer, Commission approval of the written contract between Company and Customer, as filed, is a condition precedent to the provision of Gas Service by Company to Customer hereunder.

RATE 270

LONG-TERM CONTRACT SERVICE

UNACCOUNTED FOR GAS PERCENTAGE

Except as otherwise provided in the written Contract between Company and Customer, Customer shall be subject to the Unaccounted For Gas Percentage set forth in Appendix F.

NOMINATION AND BALANCING PROVISIONS

Except as otherwise provided in the written Contract between Company and Customer, Customer shall be subject to the provisions set forth in Appendix E.

CURTAILMENT

When sufficient capacity or quantities of gas are not available to Company to meet existing and reasonably anticipated demands of Customers or to protect and replenish Company's underground storage reserves, which determinations shall be within Company's reasonable discretion, Customer shall, as provided in the written contract between Company and Customer and upon notice from Company, curtail use of gas to such extent and during such periods as Company shall specify.

Gas usage by Customer during a Curtailment period in excess of the quantity allowed shall be considered Unauthorized Gas Usage and shall be subject to the Unauthorized Gas Usage Charge set forth in Appendix C.

MEASUREMENT REQUIREMENT

Customer shall provide and maintain on the Premises at the meter location electric and telephone service as required by Company for the operation of Company-owned electronic gas measurement devices and related communications equipment. If Customer's telephone line is frequently not available when Company seeks to obtain measurement data, Company may require Customer to provide a dedicated telephone line in order to continue Transportation Service under this Rate Schedule.

COMMISSION APPROVAL REQUIREMENT

Prior to the initiation of Gas Service hereunder, the written contract between Company and Customer must be approved by the Commission. The Commission may approve written contracts between Company and Customers pursuant to the Commission's thirty (30) day filing process. A written contract pursuant to this Rate Schedule qualifies for approval by the Commission provided each of the following criteria is met:

1. Customer has entered into a written contract with Company which specifies the terms and conditions of the Gas Service to be provided.
2. The written contract between Company and Customer has been filed with the Commission for its approval.
3. The rates and charges for Gas Service provided under this Rate Schedule have been specified in the written contract.
4. Customer has agreed to a term for the written contract of at least five years.
5. Customer has agreed that during the term of the written contract it will not bypass Company's system via a direct or indirect interconnection with another supplier of gas service or displace or substantially reduce Company's provision of energy service to Customer through the use of an energy service other than natural gas.

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LONG-TERM CONTRACT SERVICE

6. At one or more of the Premises to be served pursuant to the written contract between Company and Customer, the service to be provided under this Rate Schedule is required to enable Company to preserve or attract the load.
7. The written contract between Company and Customer has been the result of "arm's length" negotiations.
8. The written contract between Company and Customer shall result in a direct benefit to Company's other customers.

TERMS AND CONDITIONS

Except as otherwise provided in the written contract between Company and Customer, Gas Service under this Rate Schedule shall be subject to Company's General Terms and Conditions and the Commission's Regulations.

RATE 280 **POOLING SERVICE**

APPLICABILITY

Pooling Service is a service applicable to any Pool Operator and any Transportation Customer under Rates 245, 260, or 270 that designates a Pool Operator to manage its gas supplies as part of an aggregated Customer Pool.

CHARACTER OF SERVICE

This Rate Schedule applies to the provision of Pooling Service for Transportation Customers. Pool Operator and electing Transportation Customer are subject to provisions of this Rate Schedule.

Pool Operator shall deliver to the Company gas supplies needed to satisfy the daily and monthly usage requirement of Pool Operator's Pool Customers in accordance with the requirements set forth in this Rate Schedule, Appendix E, and in the Pooling Agreement. Pooling will not be permitted across multiple Operating Systems unless approved in advance by the Company.

Pool Operator shall provide nominations for its aggregated Pool Customers' deliveries. For purposes of calculating daily and monthly imbalances, the usages of all Customers within a Pool will be combined into a single Pool usage total, which will be matched against the Pool Operator's total pipeline deliveries for such Pool.

Pool Operator shall be responsible for complying with Operational Flow Orders, daily and monthly balancing, and the payment of any daily and monthly imbalance Cashouts, and applicable charges. Transportation Customer shall remain responsible for all charges under its applicable Rate Schedule 245, 260, or 270.

Imbalance trading provided in Appendix E allows Pool Operator to trade imbalances to minimize otherwise applicable imbalance charges.

SUMMARY OF CHARGES

Pool Operator's Bill shall be rendered monthly, and shall consist of the following charges, as applicable:

Financial Evaluation Fee: \$50 for the initial and each subsequent Pool Operator financial evaluation performed by Company.

Administrative Fee: Pool Operator shall be assessed a monthly Administrative Fee of \$100 for each Pool.

Nomination and Balancing Charges: All nomination and balancing charges and imbalance trading charges associated with Pool Operator's Pool, including those listed in Appendix E, Nomination and Balancing Provisions, shall be billed to Pool Operator each month.

Effective:

RATE 280 **POOLING SERVICE**

Related Charges: Pool Operator shall reimburse Company for all charges incurred in connection with transportation of gas for Pool Operator's Pool including any gas costs, penalty charges, or Cashouts.

Late Payment Charge: Payment by Pool Operator shall be due seventeen (17) days from the date of issuance of the Bill. Company or an authorized agent must receive Payment of the total amount due by the due date shown on the Pool Operator's Bill. If Pool Operator does not pay the total amount due by the date shown, an additional amount equal to one percent (1%) of the total unpaid balance shall also become due and payable. For each subsequent month, or portion thereof, of non-payment, an additional charge of one percent of the total unpaid balance shall be assessed.

Insufficient Funds Check Charge: For each check of Pool Operator returned by any bank due to insufficient funds, Pool Operator shall be charged \$25.00 to cover a part of the cost of processing such check.

PROVISIONS AND REQUIREMENTS FOR TRANSPORTATION CUSTOMER PARTICIPATION

Transportation Customer shall comply with the following provisions and requirements:

Contract: Customer shall enter into a contract with Company that designates its selected Pool Operator from a list of approved Pool Operators that have signed Pooling Agreements with Company and who comply with the provisions of this Rate Schedule. Such elections will carry over from month to month unless Customer and Pool Operator notify Company of any change at least ten (10) business days prior to the start of a new month.

Initiation of Pooling Service: An existing Rate 245, 260, or 270 Transportation Customer that desires to begin utilizing Pooling Service under this Rate Schedule shall do so effective with Customer's next meter reading date.

Customer's prior delinquencies must be cured prior to commencing participation in Pooling Service, unless otherwise agreed to in advance by Company.

Customer shall eliminate any existing over-delivery or under-delivery quantities via a Cashout with Company prior to commencing participation in Pooling Service, as follows:

- (1) If Customer has an ending under-delivery quantity, Customer shall pay Company for each Dekatherm of under-delivery quantity a price equal to the average of the previous six-months' Monthly Average Index Charges (as defined in Appendix E) plus applicable taxes.
- (2) If Customer has an ending over-delivery quantity, Company shall pay Customer for each Dekatherm of Over-delivery quantity a price equal to the average of the previous six-months' Monthly Average Index Charges (as defined in Appendix E).

RATE 280 **POOLING SERVICE**

PROVISIONS AND REQUIREMENTS FOR POOL OPERATOR PARTICIPATION

Pool Operator shall comply with the following provisions:

Contract:

Pool Operator must enter into a written Pooling Agreement with Company. Such Pooling Agreement shall set forth specific covenants and obligations undertaken by Company and Pool Operator under this Rate Schedule on behalf of the Pool's Customers. The Pooling Agreement shall have an initial term of not less than one year and shall automatically extend for succeeding annual terms thereafter subject to cancellation by either party after written notice submitted not less than ninety days prior to the end of the initial term or any succeeding annual term. However, in no event shall the Pooling Agreement expire during the Winter Season, unless such mid-winter termination date is mutually agreed upon.

Creditworthiness Standards and Requirements:

In order to qualify for participation under the Pooling Service, Pool Operator must pass an initial Financial evaluation performed by Company, and any such subsequent evaluation(s) deemed appropriate by Company, to ensure that Pool Operator possesses sufficient resources to perform its responsibilities and to ensure financial performance under this Rate Schedule. In addition, if Pool Operator's participation in the Pooling Service was previously terminated due to Pool Operator's non-compliance, Pool Operator shall provide information acceptable to Company that such cause for non-compliance has been corrected and will be avoided in the future. All prior delinquencies must be cured prior to commencing participation in the Pooling Service. Moreover, any and all charges from previous non-compliance shall be corrected prior to participation in the Pooling Service.

Pool Operator must complete and sign Company's Pool Operator Registration Form and Credit Application to be considered for participation in the Pooling Service. A Pool Operator desiring to participate in Pooling Service will be evaluated by Company to establish credit levels acceptable to Company. Company will apply, on a non-discriminatory basis, reasonable financial standards to assess and examine a Pool Operator's creditworthiness. These standards will take into consideration the scope of the operations of each Pool Operator and the level of risk to Company. In order to pass Company's financial evaluation, a Pool Operator may be required to provide security, the form and amount of which shall be specified by the Company.

Financial evaluations will be based on standard credit factors such as financial and credit ratings, trade references, bank information, unused line of credit, Pool Customers' payment histories, and related financial information that has been independently audited, if available. Company shall determine creditworthiness based on the above criteria, and will not deny a Pool Operator's participation in Pooling Service without reasonable cause.

RATE 280 **POOLING SERVICE**

Company reserves the right to conduct a financial re-evaluation of Pool Operator from time to time. Such re-evaluation may be initiated either by a request from the Pool Operator, or by Company if Company reasonably believes that the creditworthiness of a Pool Operator may have changed or that the operating environment or other conditions may have changed that may have increased the risks posed by operations of the Pool. Based on such re-evaluation, a Pool Operator's level of participation may be increased or decreased, additional security may be required, or Pool Operator may be removed from further participation in the Pooling Service.

Unaccounted for Percentage:

To compensate for unaccounted for gas, the quantity of gas available to Pool Customers on a daily basis shall be equal to the quantity delivered to the Company's distribution system at the point of receipt by Pool Operator for Pool Customers, reduced by an Unaccounted for Percentage as set forth in Appendix F.

Nomination and Balancing Provisions:

Pool Operator shall be subject to the Nomination and Balancing Provisions in Appendix E.

Curtailment Procedures:

Pool Operator shall be subject to the Curtailment Procedures in Company's General Terms and Conditions.

Required Regulatory Approvals:

Pool Operator must have all required regulatory approvals related to the transportation of the gas for Pool Operator's Pool.

Termination of Pooling Service Participation:

A Pool Operator that ceases participation in Pooling Service shall eliminate any existing over-delivery or under-delivery quantities via a Cashout with the Company, as follows:

- (1) If Pool Operator has an ending net under-delivery quantity, Pool Operator shall pay Company for each Dekatherm of under-delivery quantity a price equal to the average of the previous six months' Monthly Average Index Charge (as defined in Appendix E) plus applicable taxes.
- (2) If Pool Operator has an ending over-delivery quantity, Company shall pay Pool Operator for each Dekatherm of over-delivery quantity a price equal to the average of the previous six months' Monthly Average Index Charge (as defined in Appendix E).

WAIVER OF CHARGES

In its reasonable discretion, on a case-by-case basis, Company may waive all or part of any Charge assessable to Pool Operator or Transportation Customer pursuant to this Rate Schedule, provided, however, that the waiver of such charge shall be exercised on a non-discriminatory basis.

TERMS AND CONDITIONS

Gas Service rendered under this Rate Schedule shall be subject to Company's General Terms and Conditions and the Commission's Regulations.

Effective:

RATE 285 **SCHOOL POOLING SERVICE**

APPLICABILITY

School Pooling Service is an optional service applicable to any School Supplier that has applied for and been approved under the Creditworthiness Standards and Requirements herein.

CHARACTER OF SERVICE

This Rate Schedule applies to the provision of School Pooling Service for Rate 225, School Transportation Service Customers.

School Supplier shall deliver to the Company gas supplies needed to satisfy the daily and monthly usage requirement of School Supplier's Pool Customers in accordance with the requirements set forth in this Rate Schedule, Appendix J, and the School Pooling Agreement. Pooling will not be permitted across multiple operational systems or transportation programs unless approved in advance by Company.

School Supplier shall provide nominations for its aggregated School Pool Customers' deliveries. For purposes of calculating daily imbalances, the School Pool's DDQ will be matched against the School Supplier's total pipeline deliveries for such Pool.

School Supplier shall be responsible for complying with Operational Flow Orders, daily balancing, and the payment of any daily imbalance Cashouts, and applicable charges.

Imbalance trading provided for in Appendix J allows School Supplier to trade imbalances to minimize otherwise applicable imbalance charges.

SUMMARY OF CHARGES

School Supplier's Bill shall be rendered monthly, and shall consist of the following charges, as applicable:

Financial Evaluation Fee:

\$50 for the initial and each subsequent School Supplier financial evaluation performed by Company.

Administrative Fee: School Supplier shall be assessed a monthly Administrative Fee of \$100 for each Pool.

Nomination and Balancing Charges: All nomination and balancing charges and imbalance trading charges associated with School Supplier's School Pool, including those listed in Appendix J, School Nomination and Balancing Provisions, shall be billed to School Supplier each month.

Nomination Error Charge:

School Supplier shall pay a Nomination Error Charge of \$0.50 per Dekatherm on the quantity difference between School Supplier's Daily Transportation Nomination and the confirmed deliveries under School Supplier's Daily Pipeline Nomination for each day such difference occurs.

DDQ Non-Compliance Charge:

\$1 per Dth on days in which no Operational Flow Order (OFO) is in effect (provided no alternate arrangements are made with Company) against the daily difference between the Pool's DDQ and aggregate deliveries

Effective:

RATE 285 **SCHOOL POOLING SERVICE**

City Gate Allocation Non-Compliance Charge:

\$1 per Dth on the quantity difference if School Supplier's Daily Pipeline Nomination is less than the minimum or greater than the maximum city gate allocation requirements.

OFO Non-Compliance Charge:

\$10 per Dth applied to the difference between School Supplier's DDQ and actual deliveries if School Supplier over-delivers on days in which a Warm Weather OFO is in effect or under-delivers on days in which a Cold Weather OFO is in effect.

Related Charges: School Supplier shall reimburse Company for all charges incurred by Company in connection with interstate pipeline transportation of School Supplier-Delivered Gas including any gas costs, penalty charges, or Cashouts.

Late Payment Charge: Payment by School Supplier shall be due seventeen (17) days from the date of issuance of the Bill. Company or an authorized agent must receive payment of the total amount due by the due date shown on the School Supplier's Bill. If School Supplier does not pay the total amount due by the date shown, an additional amount equal to one percent (1%) of the total unpaid balance shall also become due and payable. For each subsequent month, or portion thereof, of non-payment, an additional charge of one percent of the total unpaid balance shall be assessed.

Insufficient Funds Check Charge: For each check of School Supplier returned by any bank due to insufficient funds, School Supplier shall be charged as set forth in Appendix C, Other Charges to cover a portion of the cost of processing such check.

PROVISIONS AND REQUIREMENTS FOR SCHOOL SUPPLIER PARTICIPATION

School Supplier shall comply with the following provisions:

Contract:

School Supplier must enter into a written School Pooling Agreement with Company. Such School Pooling Agreement shall set forth specific covenants and obligations undertaken by Company and School Supplier under this Rate Schedule on behalf of the School Supplier's Pool Customers. The School Pooling Agreement shall have an initial term of not less than one year and shall automatically extend for succeeding annual terms thereafter subject to cancellation by either party after written notice submitted not less than ninety days prior to the end of the initial term or any succeeding annual term. However, in no event shall the School Pooling Agreement expire during the Winter Season, unless such mid-winter termination date is mutually agreed upon, or School Supplier fails to perform its responsibilities hereunder and Company elects to terminate School Supplier's participation hereunder.

School Supplier must provide written notice to Company of Customers joining its pool, or Customers leaving their pool, 10 business days prior to the first of the month. The effective date for Customers joining or leaving pools will be Customer's read date the following month.

Effective:

RATE 285

SCHOOL POOLING SERVICE

Creditworthiness Standards and Requirements:

In order to qualify for participation under the School Pooling Service, School Supplier must pass an initial financial evaluation performed by Company, and any such subsequent evaluation(s) deemed appropriate by Company, to ensure that School Supplier possesses sufficient resources to perform its responsibilities and to ensure financial performance under this Rate Schedule. In addition, if School Supplier's participation in School Pooling Service was previously terminated due to School Supplier's non-compliance, School Supplier shall provide information acceptable to Company that such cause for non-compliance has been corrected and will be avoided in the future. All prior delinquencies must be cured prior to commencing participation in the School Pooling Service. Moreover, any and all charges from previous non-compliance shall be corrected prior to participation in the School Pooling Service.

School Supplier must complete and sign the Company's School Supplier Registration Form and Credit Application to be considered for participation in the School Pooling Service. A School Supplier desiring to participate in the School Pooling Service will be evaluated by the Company to establish credit levels acceptable to the Company. The Company will apply, on a non-discriminatory basis, reasonable financial standards to assess and examine a School Supplier's creditworthiness. These standards will take into consideration the scope of the operations of each School Supplier and the level of risk to Company. In order to pass Company's financial evaluation, School Supplier may be required to provide security, the form and amount of which shall be specified by Company.

Financial evaluations will be based on standard credit factors such as financial and credit ratings, trade references, bank information, unused line of credit, Pool Customers' payment histories, and related financial information that has been independently audited, if available. Company shall determine creditworthiness based on the above criteria, and will not deny School Supplier's participation in the School Pooling Service without reasonable cause.

Company reserves the right to conduct a financial re-evaluation of School Supplier from time to time. Such re-evaluation may be initiated either by a request from School Supplier, or by Company if Company reasonably believes that the creditworthiness of School Supplier may have changed or that the operating environment or other conditions may have changed that may have increased the risks posed by operations of the Pool. Based on such re-evaluation, School Supplier's level of participation may be increased or decreased, additional security may be required, or School Supplier may be removed from further participation in School Pooling Service.

School Supplier Code of Conduct

Each School Supplier participating in School Pooling Service shall:

1. Communicate to Customers, in clear, understandable terms, Customers' rights and responsibilities. This communication shall include: 1) School Supplier's customer service address, local or toll-free telephone number and hours of operation; and 2) a statement describing the procedures for handling complaints and disputes.
2. Provide in writing, pricing and payment terms that are clear and understandable and inform Customers whether the price that Customer will pay is inclusive or exclusive of applicable taxes.

Effective:

RATE 285

SCHOOL POOLING SERVICE

3. Refrain from engaging in communications, acts or practices that are fraudulent, deceptive, misleading, unfair, or unconscionable.
4. Deliver gas to Company on a firm basis on behalf of the School Supplier's Pool Customers in accordance with the requirements of Rate 185 and the School Pooling Agreement.
5. Establish and maintain a creditworthy financial position to enable School Supplier to indemnify Company for costs incurred as a result of any failure by School Supplier to deliver gas or pay invoices in accordance with the requirements of this Rate Schedule.
6. Make good faith efforts to resolve all disputes between School Supplier and its Pool Customers and to cooperate with resolution of any joint issues with Company.

Failure to fulfill any of these obligations shall be considered a violation of the School Supplier Code of Conduct, subject to consequences set forth in the Consequences of School Supplier's Failure to Perform or Comply section of the following Terms and Conditions.

Required Regulatory Approvals:

School Supplier must comply with all state and federal regulations related to its transportation of School Supplier-Delivered Gas.

TERMS AND CONDITIONS

Unaccounted for Percentage:

School Supplier shall compensate Company for unaccounted for gas. The quantity of gas available to School Supplier's Pool Customers on a daily basis shall be equal to the quantity of gas delivered for Pool Customers into Company's distribution system at the point of receipt, reduced by an Unaccounted For Gas Percentage as set forth in Appendix F.

Nomination and Balancing Procedures:

School Supplier shall be subject to the School Nomination and Balancing Provisions in Appendix J.

Comparable Firm Capacity Requirement:

Each month, School Supplier agrees to secure sufficient firm interstate pipeline capacity with primary delivery points to Company's city gates and firm supply to meet 100% of that month's Peak Design Day Demand of its Pool Customers.

On a daily basis, Company will provide School Supplier with the revised Peak Design Day Demand for School Supplier's Pool effective the following day. This volume will change over time as necessary to reflect Customers joining and/or leaving School Supplier's Pool and any changes in Company's peak design day demand parameters.

Company may periodically verify School Supplier's compliance with this Comparable Firm Capacity Requirement. School Supplier will provide to Company upon request copies of contracts for upstream pipeline capacity not assigned by Company and supply contracts showing the firm quantities reserved or purchased and the specific points of delivery. If School Supplier is securing firm city gate supplies, School Supplier shall provide a copy of such firm supply agreement, and additional documentation as required by Company to confirm compliance of the applicable interstate pipeline capacity.

Effective:

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SCHOOL POOLING SERVICE

If Company identifies a firm capacity deficiency, such deficiency shall be resolved to Company's satisfaction by one or a combination of the following, at School Supplier's discretion: 1) immediate acquisition by School Supplier of additional firm pipeline capacity, 2) assignment to School Supplier of Company's available pipeline capacity, 3) delayed enrollment of new Pool Customers, 4) return of existing Pool Customers to Company's Sales Service, or 5) transfer of Pool Customers to another School Supplier. If Company identifies a firm supply deficiency, such deficiency shall be resolved to Company's satisfaction by one or a combination of the following, at School Supplier's discretion: 1) immediate acquisition by School Supplier of additional firm supply, 2) delayed enrollment of new Pool Customers, 3) return of existing Pool Customers to Company's Sales Service, or 4) transfer of Pool Customers to another School Supplier.

Assignment of Pipeline Capacity:

School Supplier may seek assignment of Company's firm interstate pipeline capacity for meeting some portion of the usage requirements of School Supplier's Pool Customers. Company may decline to assign firm transportation and/or storage capacity if such capacity is needed to meet the needs of its Sales Service Customers or to perform the operational balancing function.

School Supplier shall take direct assignment of specific interstate pipeline firm transportation and/or storage capacity for a term, unless otherwise agreed to by Company, which is the lesser of: 1) the term of the School Pooling Agreement, or 2) the remaining term of the service agreement with the interstate pipeline applicable to such capacity, less one day, subject to Company's right of capacity recall contained elsewhere in these Terms and Conditions. Specific terms and conditions of any capacity assignment will be negotiated between School Supplier and Company, or its agent, including length of term, price, and recall timing, subject to FERC requirements for capacity release.

School Supplier may not change any primary points of receipt or delivery associated with assigned pipeline transportation contracts during the term of the capacity assignment. In addition, for specific parcels of capacity identified by Company, School Supplier may not utilize any delivery point other than those primary and secondary points identified by Company unless the capacity is released at the pipeline's full tariff rate or unless an alternate capacity billing arrangement is agreed to by School Supplier and Company. The assigned capacity is subject to recall at any time if School Supplier does not perform in accordance with the School Pooling Agreement or fails to comply with the School Supplier Code of Conduct and other provisions set forth in these Terms and Conditions.

School Supplier may re-release any capacity assigned to it hereunder, provided that: 1) School Supplier will continue to be responsible to Company for payment of all pipeline charges associated with the assigned capacity; 2) any re-release of such capacity remains subject to the restrictions identified in the Assignment of Pipeline Capacity section; and 3) the capacity is not needed to satisfy the School Supplier's Pool's DDQ on such day(s). School Supplier may use other firm pipeline capacity to accomplish its DDQ and re-release portions of its assigned pipeline capacity, subject to the previously mentioned restrictions.

RATE 285

SCHOOL POOLING SERVICE

Company Demand Forecast:

Company shall forecast each School Pool's Peak Design Day Demand and Expected Demand based upon Company's design day and forecasted weather, respectively, the number of Customers in the Pool, and the historic usage characteristics of the Pool Customers.

Curtailment Provisions:

School Supplier shall be subject to the Curtailment Procedures in Company's General Terms and Conditions Applicable to Gas Service, Rule 24.

Consequences of School Supplier's Failure to Perform or Comply

If School Supplier fails to deliver gas in accordance with the requirement of the School Pooling Agreement, or otherwise fails to comply with the provisions of this Rate Schedule, Company shall have the discretion to initiate the process to suspend temporarily or terminate such School Supplier's further participation for the applicable Pool.

If School Supplier is suspended or expelled from the School Pooling Service relative to a specific Pool, Customers in such Pool shall revert to Company's Sales Service, unless and until said Customers join another School Supplier's Pool. Any termination or cancellation of the School Pooling Agreement relative to some or all of the School Supplier's Pools and pursuant to any provision of this section shall be without waiver of any remedy, whether at law or in equity, to which the part not in default otherwise may be entitled for breach of the School Pooling Agreement.

School Supplier Operator Withdrawal or Termination:

If School Supplier in total or for a specific Pool is restricted from further participation in the School Pooling Service or elects to withdraw from the School Pooling Service, Company shall have the right to recall all pipeline capacity then assigned to School Supplier by Company associated with the specific Pool(s) in accordance with the terms of the release agreement, and have first rights to any additional pipeline capacity the School Supplier utilizes for delivery to Company's city-gate.

School Supplier shall remain responsible for the differences between the market value of the assigned pipeline capacity and the full demand charges applicable to such capacity until the earliest normal expiration date of the School Pooling Agreement, which shall constitute liquidated damages. Upon withdrawal or termination, any Over-Delivery Imbalance Quantity or Under-Delivery Imbalance Quantity shall be resolved through the purchase or sale of volumes at the price set out in the Volume Reconciliation section of Appendix J.

Other

Gas Service rendered under this Rate Schedule shall be subject to Company's General Terms and Conditions and the Commission's Regulations.

APPENDIX A

GAS COST ADJUSTMENT

APPLICABILITY

The Gas Cost Adjustment (GCA), as updated from time-to-time, shall be applicable to the Gas Cost Charges included in Rate Schedules contained in this Tariff for Gas Service, as set forth below.

DESCRIPTION

The GCA shall recover the following costs, as reviewed and approved by the Commission:

1. Demand, commodity and other costs of gas supply purchased from pipelines and other suppliers.
2. Demand, commodity and other costs of pipeline transportation service.
3. Demand, commodity and other costs of leased gas storage and related transportation costs.
4. The net cost of gas injected into and withdrawn from storage.
5. The various costs of propane supply.
6. Pipeline Take-or-Pay Charges and Transition Costs, and any like charges.
7. Applicable taxes, including Indiana Utility Receipts Tax.
8. All other costs approved for Gas Cost Adjustment recovery by the Commission.

GCA CHARGES – Dollars per Therm

<u>Rate Schedule</u>	<u>Service</u>	<u>Estimated (\$ per Therm) Eff.</u>	<u>Estimated (\$ per Therm) Eff.</u>	<u>Estimated (\$ per Therm) Eff.</u>
210	Sales	\$_____	\$_____	\$_____
211 (1)	Sales	\$_____	\$_____	\$_____
220	Sales	\$_____	\$_____	\$_____
225	Transportation	\$_____	\$_____	\$_____
229	Sales	\$_____	\$_____	\$_____
240	Sales	\$_____	\$_____	\$_____
245	Transportation	\$_____	\$_____	\$_____
260	Transportation	\$_____	\$_____	\$_____
270	Transportation	\$_____	\$_____	\$_____

1) The GCA for Rate 211 is stated in \$ per gas lighting fixture.

Effective:

APPENDIX B

NORMAL TEMPERATURE ADJUSTMENT

The billed amount for each Rate 210, 220 and 225 Customer shall be subject to a Normal Temperature Adjustment (NTA) for each bill rendered during the seven winter billing periods commencing with Customer's first meter read date after October 14th.

The NTA adjusts each Customer's monthly billed amount to reverse the impact on margin recovery caused by non-normal temperatures during the billing period, as measured by actual heating degree day variations from normal heating degree days.

NTA COMPUTATION

The NTA for each Customer's monthly billing shall be computed as follows:

$$\text{NTA} = \text{NTA Therms} \times \text{NTA Margin}$$

NTA THERMS

The NTA Therms usage for each Customer to which the NTA Margin shall be applied is computed as follows:

$$\text{NTA Therms} = \frac{[\text{Actual Usage} - \text{Base Load Usage}]}{\text{Actual Degree Days}} \times [\text{Normal Degree Days} - \text{Actual Degree Days}]$$

NTA MARGIN

The NTA Margin shall be the tail block rate of the Distribution Charge for the applicable Rate Schedule.

BASE LOAD THERMS

Base Load Therms shall be Customer's average daily therms usage for the previous summer months (months of July and August) multiplied by the number of days in the billing period.

For Customers whose Base Load Usage cannot be accurately determined (e.g., new Customers without two months of summer usage history), an estimated Average Daily Therms shall be used.

NORMAL AND ACTUAL DEGREE DAYS

Normal Degree Days for each Customer's billing period shall be those utilized by the Commission for purposes of determining Company's current base rates.

Actual Degree Days for each Customer's billing period shall be taken from the actual heating degree days reported each day by the National Weather Service.

APPENDIX B

NORMAL TEMPERATURE ADJUSTMENT

Normal Degree Days for the NTA are determined by the days included in each Customer's billing period. Normal Degree Days in a leap year (a year consisting of 366 days) differ from those in non-leap years (years consisting of 365 days). Applicable Normal Degree Days tables for leap and non-leap years, as determined in Company's most recent general rate case, follow. The Normal Degree Days tables for the "Southern Service Area" apply to Customers in locations in Company's "Southern Service Area" (as listed below); the Normal Degree Days tables for the "Northern Service Area" apply to all other Customers.

The following steps are used to determine Normal Degree Days in the NTA calculation:

1. Determine the days associated with Customer's billing period.
 - i. If the billing period includes days occurring in a leap year, the Normal Degree Days table for LEAP YEAR is used.
 - ii. If the billing period includes no days occurring in a leap year, the Normal Degree Days table for NON-LEAP YEAR is used.
2. From the appropriate table determine the total Normal Degree Days (NDD) for the current billing cycle, beginning with the day following the previous read date and ending with the current read date for the current billing period. This total represents the Normal Degree Days for the NTA calculation for the current billing period. Note: Actual Degree Days appear on Customer's bill.

SOUTHERN SERVICE AREA

Listing of Locations

Clark County
Charlestown
Clarksville
Hamburg
Jeffersonville
Sellersburg
Speed
Utica
Watson

Floyd County
Floyds Knobs
New Albany

Jefferson County
Hanover
Madison

APPENDIX B **NORMAL TEMPERATURE ADJUSTMENT**

NORMAL DEGREE DAYS (NDD)

NORTHERN SERVICE AREA - NON-LEAP YEAR

Date	NDD	Date	NDD	Date	NDD	Date	NDD	Date	NDD	Date	NDD	Date	NDD
Jul 1	0	Aug 22	0	Oct 13	10	Dec 4	29	Jan 25	39	Mar 18	22	May 9	6
Jul 2	0	Aug 23	0	Oct 14	10	Dec 5	29	Jan 26	38	Mar 19	22	May 10	6
Jul 3	0	Aug 24	0	Oct 15	10	Dec 6	30	Jan 27	38	Mar 20	22	May 11	5
Jul 4	0	Aug 25	0	Oct 16	11	Dec 7	30	Jan 28	38	Mar 21	21	May 12	5
Jul 5	0	Aug 26	0	Oct 17	11	Dec 8	31	Jan 29	38	Mar 22	21	May 13	5
Jul 6	0	Aug 27	0	Oct 18	11	Dec 9	31	Jan 30	38	Mar 23	21	May 14	5
Jul 7	0	Aug 28	1	Oct 19	12	Dec 10	31	Jan 31	38	Mar 24	20	May 15	5
Jul 8	0	Aug 29	1	Oct 20	12	Dec 11	32	Feb 1	38	Mar 25	20	May 16	4
Jul 9	0	Aug 30	1	Oct 21	12	Dec 12	32	Feb 2	38	Mar 26	20	May 17	4
Jul 10	0	Aug 31	1	Oct 22	13	Dec 13	32	Feb 3	37	Mar 27	19	May 18	4
Jul 11	0	Sep 1	1	Oct 23	13	Dec 14	32	Feb 4	37	Mar 28	19	May 19	4
Jul 12	0	Sep 2	1	Oct 24	14	Dec 15	33	Feb 5	37	Mar 29	19	May 20	3
Jul 13	0	Sep 3	1	Oct 25	14	Dec 16	33	Feb 6	37	Mar 30	18	May 21	3
Jul 14	1	Sep 4	1	Oct 26	14	Dec 17	33	Feb 7	36	Mar 31	18	May 22	3
Jul 15	1	Sep 5	1	Oct 27	15	Dec 18	34	Feb 8	36	Apr 1	18	May 23	3
Jul 16	0	Sep 6	1	Oct 28	15	Dec 19	34	Feb 9	36	Apr 2	17	May 24	3
Jul 17	0	Sep 7	1	Oct 29	15	Dec 20	34	Feb 10	36	Apr 3	17	May 25	3
Jul 18	0	Sep 8	1	Oct 30	16	Dec 21	35	Feb 11	35	Apr 4	17	May 26	2
Jul 19	0	Sep 9	1	Oct 31	16	Dec 22	35	Feb 12	35	Apr 5	16	May 27	2
Jul 20	0	Sep 10	1	Nov 1	16	Dec 23	35	Feb 13	35	Apr 6	16	May 28	2
Jul 21	0	Sep 11	2	Nov 2	17	Dec 24	35	Feb 14	35	Apr 7	16	May 29	2
Jul 22	0	Sep 12	2	Nov 3	17	Dec 25	36	Feb 15	34	Apr 8	15	May 30	2
Jul 23	0	Sep 13	2	Nov 4	18	Dec 26	36	Feb 16	34	Apr 9	15	May 31	2
Jul 24	0	Sep 14	2	Nov 5	18	Dec 27	36	Feb 17	34	Apr 10	15	Jun 1	2
Jul 25	0	Sep 15	2	Nov 6	18	Dec 28	36	Feb 18	33	Apr 11	15	Jun 2	2
Jul 26	0	Sep 16	2	Nov 7	19	Dec 29	37	Feb 19	33	Apr 12	14	Jun 3	1
Jul 27	0	Sep 17	2	Nov 8	19	Dec 30	37	Feb 20	33	Apr 13	14	Jun 4	1
Jul 28	0	Sep 18	3	Nov 9	19	Dec 31	37	Feb 21	32	Apr 14	14	Jun 5	1
Jul 29	0	Sep 19	3	Nov 10	20	Jan 1	37	Feb 22	32	Apr 15	13	Jun 6	1
Jul 30	0	Sep 20	3	Nov 11	20	Jan 2	37	Feb 23	32	Apr 16	13	Jun 7	1
Jul 31	0	Sep 21	3	Nov 12	21	Jan 3	38	Feb 24	31	Apr 17	13	Jun 8	1
Aug 1	0	Sep 22	4	Nov 13	21	Jan 4	38	Feb 25	31	Apr 18	12	Jun 9	1
Aug 2	0	Sep 23	4	Nov 14	21	Jan 5	38	Feb 26	30	Apr 19	12	Jun 10	1
Aug 3	0	Sep 24	4	Nov 15	22	Jan 6	38	Feb 27	30	Apr 20	12	Jun 11	1
Aug 4	0	Sep 25	4	Nov 16	22	Jan 7	38	Feb 28	30	Apr 21	11	Jun 12	1
Aug 5	0	Sep 26	4	Nov 17	23	Jan 8	38	Mar 1	29	Apr 22	11	Jun 13	1
Aug 6	0	Sep 27	5	Nov 18	23	Jan 9	38	Mar 2	29	Apr 23	11	Jun 14	1
Aug 7	0	Sep 28	5	Nov 19	23	Jan 10	39	Mar 3	28	Apr 24	10	Jun 15	0
Aug 8	0	Sep 29	5	Nov 20	24	Jan 11	39	Mar 4	28	Apr 25	10	Jun 16	0
Aug 9	0	Sep 30	6	Nov 21	24	Jan 12	39	Mar 5	28	Apr 26	10	Jun 17	0
Aug 10	0	Oct 1	6	Nov 22	24	Jan 13	39	Mar 6	27	Apr 27	10	Jun 18	0
Aug 11	0	Oct 2	6	Nov 23	25	Jan 14	39	Mar 7	27	Apr 28	9	Jun 19	0
Aug 12	0	Oct 3	7	Nov 24	25	Jan 15	39	Mar 8	26	Apr 29	9	Jun 20	0
Aug 13	0	Oct 4	7	Nov 25	26	Jan 16	39	Mar 9	26	Apr 30	9	Jun 21	0
Aug 14	0	Oct 5	7	Nov 26	26	Jan 17	39	Mar 10	26	May 1	8	Jun 22	0
Aug 15	0	Oct 6	7	Nov 27	26	Jan 18	39	Mar 11	25	May 2	8	Jun 23	0
Aug 16	0	Oct 7	8	Nov 28	27	Jan 19	39	Mar 12	25	May 3	8	Jun 24	0
Aug 17	0	Oct 8	8	Nov 29	27	Jan 20	39	Mar 13	24	May 4	7	Jun 25	0
Aug 18	0	Oct 9	8	Nov 30	28	Jan 21	39	Mar 14	24	May 5	7	Jun 26	0
Aug 19	0	Oct 10	9	Dec 1	28	Jan 22	39	Mar 15	24	May 6	7	Jun 27	0
Aug 20	0	Oct 11	9	Dec 2	28	Jan 23	39	Mar 16	23	May 7	7	Jun 28	0
Aug 21	0	Oct 12	9	Dec 3	29	Jan 24	39	Mar 17	23	May 8	6	Jun 29	0
												Jun 30	0

Effective:

APPENDIX B

NORMAL TEMPERATURE ADJUSTMENT

NORMAL DEGREE DAYS (NDD)

NORTHERN SERVICE AREA - LEAP YEAR

Date	NDD	Date	NDD	Date	NDD	Date	NDD	Date	NDD	Date	NDD
Jul 1	0	Aug 22	0	Oct 13	10	Dec 4	29	Jan 25	39	Mar 17	22
Jul 2	0	Aug 23	0	Oct 14	10	Dec 5	29	Jan 26	38	Mar 18	22
Jul 3	0	Aug 24	0	Oct 15	10	Dec 6	30	Jan 27	38	Mar 19	22
Jul 4	0	Aug 25	0	Oct 16	11	Dec 7	30	Jan 28	38	Mar 20	21
Jul 5	0	Aug 26	0	Oct 17	11	Dec 8	31	Jan 29	38	Mar 21	21
Jul 6	0	Aug 27	0	Oct 18	11	Dec 9	31	Jan 30	38	Mar 22	21
Jul 7	0	Aug 28	1	Oct 19	12	Dec 10	31	Jan 31	38	Mar 23	20
Jul 8	0	Aug 29	1	Oct 20	12	Dec 11	32	Feb 1	38	Mar 24	20
Jul 9	0	Aug 30	1	Oct 21	12	Dec 12	32	Feb 2	38	Mar 25	20
Jul 10	0	Aug 31	1	Oct 22	13	Dec 13	32	Feb 3	37	Mar 26	19
Jul 11	0	Sep 1	1	Oct 23	13	Dec 14	32	Feb 4	37	Mar 27	19
Jul 12	0	Sep 2	1	Oct 24	14	Dec 15	33	Feb 5	37	Mar 28	19
Jul 13	0	Sep 3	1	Oct 25	14	Dec 16	33	Feb 6	37	Mar 29	18
Jul 14	1	Sep 4	1	Oct 26	14	Dec 17	33	Feb 7	36	Mar 30	18
Jul 15	1	Sep 5	1	Oct 27	15	Dec 18	34	Feb 8	36	Mar 31	18
Jul 16	0	Sep 6	1	Oct 28	15	Dec 19	34	Feb 9	36	Apr 1	17
Jul 17	0	Sep 7	1	Oct 29	15	Dec 20	34	Feb 10	36	Apr 2	17
Jul 18	0	Sep 8	1	Oct 30	16	Dec 21	35	Feb 11	35	Apr 3	17
Jul 19	0	Sep 9	1	Oct 31	16	Dec 22	35	Feb 12	35	Apr 4	16
Jul 20	0	Sep 10	1	Nov 1	16	Dec 23	35	Feb 13	35	Apr 5	16
Jul 21	0	Sep 11	2	Nov 2	17	Dec 24	35	Feb 14	35	Apr 6	16
Jul 22	0	Sep 12	2	Nov 3	17	Dec 25	36	Feb 15	34	Apr 7	15
Jul 23	0	Sep 13	2	Nov 4	18	Dec 26	36	Feb 16	34	Apr 8	15
Jul 24	0	Sep 14	2	Nov 5	18	Dec 27	36	Feb 17	34	Apr 9	15
Jul 25	0	Sep 15	2	Nov 6	18	Dec 28	36	Feb 18	33	Apr 10	15
Jul 26	0	Sep 16	2	Nov 7	19	Dec 29	37	Feb 19	33	Apr 11	14
Jul 27	0	Sep 17	2	Nov 8	19	Dec 30	37	Feb 20	33	Apr 12	14
Jul 28	0	Sep 18	3	Nov 9	19	Dec 31	37	Feb 21	32	Apr 13	14
Jul 29	0	Sep 19	3	Nov 10	20	Jan 1	37	Feb 22	32	Apr 14	13
Jul 30	0	Sep 20	3	Nov 11	20	Jan 2	37	Feb 23	32	Apr 15	13
Jul 31	0	Sep 21	3	Nov 12	21	Jan 3	38	Feb 24	31	Apr 16	13
Aug 1	0	Sep 22	4	Nov 13	21	Jan 4	38	Feb 25	31	Apr 17	12
Aug 2	0	Sep 23	4	Nov 14	21	Jan 5	38	Feb 26	30	Apr 18	12
Aug 3	0	Sep 24	4	Nov 15	22	Jan 6	38	Feb 27	30	Apr 19	12
Aug 4	0	Sep 25	4	Nov 16	22	Jan 7	38	Feb 28	30	Apr 20	11
Aug 5	0	Sep 26	4	Nov 17	23	Jan 8	38	Feb 29	29	Apr 21	11
Aug 6	0	Sep 27	5	Nov 18	23	Jan 9	38	Mar 1	29	Apr 22	11
Aug 7	0	Sep 28	5	Nov 19	23	Jan 10	39	Mar 2	28	Apr 23	10
Aug 8	0	Sep 29	5	Nov 20	24	Jan 11	39	Mar 3	28	Apr 24	10
Aug 9	0	Sep 30	6	Nov 21	24	Jan 12	39	Mar 4	28	Apr 25	10
Aug 10	0	Oct 1	6	Nov 22	24	Jan 13	39	Mar 5	27	Apr 26	10
Aug 11	0	Oct 2	6	Nov 23	25	Jan 14	39	Mar 6	27	Apr 27	9
Aug 12	0	Oct 3	7	Nov 24	25	Jan 15	39	Mar 7	26	Apr 28	9
Aug 13	0	Oct 4	7	Nov 25	26	Jan 16	39	Mar 8	26	Apr 29	9
Aug 14	0	Oct 5	7	Nov 26	26	Jan 17	39	Mar 9	26	Apr 30	8
Aug 15	0	Oct 6	7	Nov 27	26	Jan 18	39	Mar 10	25	May 1	8
Aug 16	0	Oct 7	8	Nov 28	27	Jan 19	39	Mar 11	25	May 2	8
Aug 17	0	Oct 8	8	Nov 29	27	Jan 20	39	Mar 12	24	May 3	7
Aug 18	0	Oct 9	8	Nov 30	28	Jan 21	39	Mar 13	24	May 4	7
Aug 19	0	Oct 10	9	Dec 1	28	Jan 22	39	Mar 14	24	May 5	7
Aug 20	0	Oct 11	9	Dec 2	28	Jan 23	39	Mar 15	23	May 6	7
Aug 21	0	Oct 12	9	Dec 3	29	Jan 24	39	Mar 16	23	May 7	6
										Jun 8	6
										May 9	6
										May 10	5
										May 11	5
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										May 13	5
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										May 15	4
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										Jun 26	0
										Jun 27	0
										Jun 28	0
										Jun 29	0
										Jun 30	0

APPENDIX B

NORMAL TEMPERATURE ADJUSTMENT

NORMAL DEGREE DAYS (NDD)

SOUTHERN SERVICE AREA - NON-LEAP YEAR

Date	NDD	Date	NDD	Date	NDD	Date	NDD	Date	NDD	Date	NDD
Jul 1	0	Aug 22	0	Oct 13	7	Dec 4	24	Jan 25	32	Mar 18	18
Jul 2	0	Aug 23	0	Oct 14	7	Dec 5	24	Jan 26	32	Mar 19	17
Jul 3	0	Aug 24	0	Oct 15	7	Dec 6	24	Jan 27	32	Mar 20	17
Jul 4	0	Aug 25	0	Oct 16	8	Dec 7	25	Jan 28	32	Mar 21	17
Jul 5	0	Aug 26	0	Oct 17	8	Dec 8	25	Jan 29	32	Mar 22	16
Jul 6	0	Aug 27	0	Oct 18	8	Dec 9	25	Jan 30	31	Mar 23	16
Jul 7	0	Aug 28	0	Oct 19	9	Dec 10	26	Jan 31	31	Mar 24	16
Jul 8	0	Aug 29	0	Oct 20	9	Dec 11	26	Feb 1	31	Mar 25	15
Jul 9	0	Aug 30	0	Oct 21	9	Dec 12	26	Feb 2	31	Mar 26	15
Jul 10	0	Aug 31	0	Oct 22	9	Dec 13	26	Feb 3	31	Mar 27	15
Jul 11	0	Sep 1	0	Oct 23	10	Dec 14	27	Feb 4	31	Mar 28	14
Jul 12	0	Sep 2	0	Oct 24	10	Dec 15	27	Feb 5	30	Mar 29	14
Jul 13	0	Sep 3	0	Oct 25	10	Dec 16	27	Feb 6	30	Mar 30	14
Jul 14	0	Sep 4	0	Oct 26	11	Dec 17	27	Feb 7	30	Mar 31	14
Jul 15	0	Sep 5	0	Oct 27	11	Dec 18	28	Feb 8	30	Apr 1	13
Jul 16	0	Sep 6	0	Oct 28	11	Dec 19	28	Feb 9	29	Apr 2	13
Jul 17	0	Sep 7	0	Oct 29	12	Dec 20	28	Feb 10	29	Apr 3	13
Jul 18	0	Sep 8	0	Oct 30	12	Dec 21	28	Feb 11	29	Apr 4	12
Jul 19	0	Sep 9	0	Oct 31	12	Dec 22	29	Feb 12	29	Apr 5	12
Jul 20	0	Sep 10	0	Nov 1	13	Dec 23	29	Feb 13	28	Apr 6	12
Jul 21	0	Sep 11	1	Nov 2	13	Dec 24	29	Feb 14	28	Apr 7	12
Jul 22	0	Sep 12	1	Nov 3	13	Dec 25	29	Feb 15	28	Apr 8	11
Jul 23	0	Sep 13	1	Nov 4	14	Dec 26	30	Feb 16	28	Apr 9	11
Jul 24	0	Sep 14	1	Nov 5	14	Dec 27	30	Feb 17	27	Apr 10	11
Jul 25	0	Sep 15	1	Nov 6	14	Dec 28	30	Feb 18	27	Apr 11	10
Jul 26	0	Sep 16	1	Nov 7	15	Dec 29	30	Feb 19	27	Apr 12	10
Jul 27	0	Sep 17	1	Nov 8	15	Dec 30	31	Feb 20	26	Apr 13	10
Jul 28	0	Sep 18	1	Nov 9	15	Dec 31	31	Feb 21	26	Apr 14	10
Jul 29	0	Sep 19	1	Nov 10	16	Jan 1	31	Feb 22	26	Apr 15	9
Jul 30	0	Sep 20	2	Nov 11	16	Jan 2	31	Feb 23	26	Apr 16	9
Jul 31	0	Sep 21	2	Nov 12	16	Jan 3	31	Feb 24	25	Apr 17	9
Aug 1	0	Sep 22	2	Nov 13	17	Jan 4	32	Feb 25	25	Apr 18	9
Aug 2	0	Sep 23	2	Nov 14	17	Jan 5	32	Feb 26	24	Apr 19	8
Aug 3	1	Sep 24	2	Nov 15	17	Jan 6	32	Feb 27	24	Apr 20	8
Aug 4	0	Sep 25	2	Nov 16	18	Jan 7	32	Feb 28	24	Apr 21	8
Aug 5	0	Sep 26	3	Nov 17	18	Jan 8	32	Mar 1	23	Apr 22	8
Aug 6	0	Sep 27	3	Nov 18	18	Jan 9	32	Mar 2	23	Apr 23	7
Aug 7	0	Sep 28	3	Nov 19	19	Jan 10	32	Mar 3	23	Apr 24	7
Aug 8	0	Sep 29	3	Nov 20	19	Jan 11	32	Mar 4	22	Apr 25	7
Aug 9	0	Sep 30	3	Nov 21	20	Jan 12	32	Mar 5	22	Apr 26	7
Aug 10	0	Oct 1	4	Nov 22	20	Jan 13	32	Mar 6	22	Apr 27	6
Aug 11	0	Oct 2	4	Nov 23	20	Jan 14	32	Mar 7	21	Apr 28	6
Aug 12	0	Oct 3	4	Nov 24	21	Jan 15	33	Mar 8	21	Apr 29	6
Aug 13	0	Oct 4	4	Nov 25	21	Jan 16	33	Mar 9	21	Apr 30	6
Aug 14	0	Oct 5	5	Nov 26	21	Jan 17	33	Mar 10	20	May 1	5
Aug 15	0	Oct 6	5	Nov 27	21	Jan 18	33	Mar 11	20	May 2	5
Aug 16	0	Oct 7	5	Nov 28	22	Jan 19	33	Mar 12	20	May 3	5
Aug 17	0	Oct 8	5	Nov 29	22	Jan 20	32	Mar 13	19	May 4	5
Aug 18	0	Oct 9	6	Nov 30	22	Jan 21	32	Mar 14	19	May 5	4
Aug 19	0	Oct 10	6	Dec 1	23	Jan 22	32	Mar 15	19	May 6	4
Aug 20	0	Oct 11	6	Dec 2	23	Jan 23	32	Mar 16	18	May 7	4
Aug 21	0	Oct 12	6	Dec 3	23	Jan 24	32	Mar 17	18	May 8	4
										Jun 9	4
										May 10	4
										May 11	3
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										May 26	1
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										Jun 27	0
										Jun 28	0
										Jun 29	0
										Jun 30	0

Effective:

APPENDIX B

NORMAL TEMPERATURE ADJUSTMENT

NORMAL DEGREE DAYS (NDD)

SOUTHERN SERVICE AREA - LEAP YEAR

Date	NDD	Date	NDD	Date	NDD	Date	NDD	Date	NDD	Date	NDD	Date	NDD
Jul 1	0	Aug 22	0	Oct 13	7	Dec 4	24	Jan 25	32	Mar 17	18	May 8	4
Jul 2	0	Aug 23	0	Oct 14	7	Dec 5	24	Jan 26	32	Mar 18	17	May 9	4
Jul 3	0	Aug 24	0	Oct 15	7	Dec 6	24	Jan 27	32	Mar 19	17	May 10	3
Jul 4	0	Aug 25	0	Oct 16	8	Dec 7	25	Jan 28	32	Mar 20	17	May 11	3
Jul 5	0	Aug 26	0	Oct 17	8	Dec 8	25	Jan 29	32	Mar 21	16	May 12	3
Jul 6	0	Aug 27	0	Oct 18	8	Dec 9	25	Jan 30	31	Mar 22	16	May 13	3
Jul 7	0	Aug 28	0	Oct 19	9	Dec 10	26	Jan 31	31	Mar 23	16	May 14	3
Jul 8	0	Aug 29	0	Oct 20	9	Dec 11	26	Feb 1	31	Mar 24	15	May 15	3
Jul 9	0	Aug 30	0	Oct 21	9	Dec 12	26	Feb 2	31	Mar 25	15	May 16	2
Jul 10	0	Aug 31	0	Oct 22	9	Dec 13	26	Feb 3	31	Mar 26	15	May 17	2
Jul 11	0	Sep 1	0	Oct 23	10	Dec 14	27	Feb 4	31	Mar 27	14	May 18	2
Jul 12	0	Sep 2	0	Oct 24	10	Dec 15	27	Feb 5	30	Mar 28	14	May 19	2
Jul 13	0	Sep 3	0	Oct 25	10	Dec 16	27	Feb 6	30	Mar 29	14	May 20	2
Jul 14	0	Sep 4	0	Oct 26	11	Dec 17	27	Feb 7	30	Mar 30	14	May 21	2
Jul 15	0	Sep 5	0	Oct 27	11	Dec 18	28	Feb 8	30	Mar 31	13	May 22	2
Jul 16	0	Sep 6	0	Oct 28	11	Dec 19	28	Feb 9	29	Apr 1	13	May 23	1
Jul 17	0	Sep 7	0	Oct 29	12	Dec 20	28	Feb 10	29	Apr 2	13	May 24	1
Jul 18	0	Sep 8	0	Oct 30	12	Dec 21	28	Feb 11	29	Apr 3	12	May 25	1
Jul 19	0	Sep 9	0	Oct 31	12	Dec 22	29	Feb 12	29	Apr 4	12	May 26	1
Jul 20	0	Sep 10	0	Nov 1	13	Dec 23	29	Feb 13	28	Apr 5	12	May 27	1
Jul 21	0	Sep 11	1	Nov 2	13	Dec 24	29	Feb 14	28	Apr 6	12	May 28	1
Jul 22	0	Sep 12	1	Nov 3	13	Dec 25	29	Feb 15	28	Apr 7	11	May 29	1
Jul 23	0	Sep 13	1	Nov 4	14	Dec 26	30	Feb 16	28	Apr 8	11	May 30	1
Jul 24	0	Sep 14	1	Nov 5	14	Dec 27	30	Feb 17	27	Apr 9	11	May 31	1
Jul 25	0	Sep 15	1	Nov 6	14	Dec 28	30	Feb 18	27	Apr 10	10	Jun 1	1
Jul 26	0	Sep 16	1	Nov 7	15	Dec 29	30	Feb 19	27	Apr 11	10	Jun 2	1
Jul 27	0	Sep 17	1	Nov 8	15	Dec 30	31	Feb 20	26	Apr 12	10	Jun 3	1
Jul 28	0	Sep 18	1	Nov 9	15	Dec 31	31	Feb 21	26	Apr 13	10	Jun 4	1
Jul 29	0	Sep 19	1	Nov 10	16	Jan 1	31	Feb 22	26	Apr 14	9	Jun 5	1
Jul 30	0	Sep 20	2	Nov 11	16	Jan 2	31	Feb 23	26	Apr 15	9	Jun 6	0
Jul 31	0	Sep 21	2	Nov 12	16	Jan 3	31	Feb 24	25	Apr 16	9	Jun 7	0
Aug 1	0	Sep 22	2	Nov 13	17	Jan 4	32	Feb 25	25	Apr 17	9	Jun 8	0
Aug 2	0	Sep 23	2	Nov 14	17	Jan 5	32	Feb 26	24	Apr 18	8	Jun 9	0
Aug 3	1	Sep 24	2	Nov 15	17	Jan 6	32	Feb 27	24	Apr 19	8	Jun 10	0
Aug 4	0	Sep 25	2	Nov 16	18	Jan 7	32	Feb 28	24	Apr 20	8	Jun 11	0
Aug 5	0	Sep 26	3	Nov 17	18	Jan 8	32	Feb 29	23	Apr 21	8	Jun 12	0
Aug 6	0	Sep 27	3	Nov 18	18	Jan 9	32	Mar 1	23	Apr 22	7	Jun 13	0
Aug 7	0	Sep 28	3	Nov 19	19	Jan 10	32	Mar 2	23	Apr 23	7	Jun 14	0
Aug 8	0	Sep 29	3	Nov 20	19	Jan 11	32	Mar 3	22	Apr 24	7	Jun 15	0
Aug 9	0	Sep 30	3	Nov 21	20	Jan 12	32	Mar 4	22	Apr 25	7	Jun 16	0
Aug 10	0	Oct 1	4	Nov 22	20	Jan 13	32	Mar 5	22	Apr 26	6	Jun 17	0
Aug 11	0	Oct 2	4	Nov 23	20	Jan 14	32	Mar 6	21	Apr 27	6	Jun 18	0
Aug 12	0	Oct 3	4	Nov 24	21	Jan 15	33	Mar 7	21	Apr 28	6	Jun 19	0
Aug 13	0	Oct 4	4	Nov 25	21	Jan 16	33	Mar 8	21	Apr 29	6	Jun 20	0
Aug 14	0	Oct 5	5	Nov 26	21	Jan 17	33	Mar 9	20	Apr 30	5	Jun 21	0
Aug 15	0	Oct 6	5	Nov 27	21	Jan 18	33	Mar 10	20	May 1	5	Jun 22	0
Aug 16	0	Oct 7	5	Nov 28	22	Jan 19	33	Mar 11	20	May 2	5	Jun 23	0
Aug 17	0	Oct 8	5	Nov 29	22	Jan 20	32	Mar 12	19	May 3	5	Jun 24	0
Aug 18	0	Oct 9	6	Nov 30	22	Jan 21	32	Mar 13	19	May 4	4	Jun 25	0
Aug 19	0	Oct 10	6	Dec 1	23	Jan 22	32	Mar 14	19	May 5	4	Jun 26	0
Aug 20	0	Oct 11	6	Dec 2	23	Jan 23	32	Mar 15	18	May 6	4	Jun 27	0
Aug 21	0	Oct 12	6	Dec 3	23	Jan 24	32	Mar 16	18	May 7	4	Jun 28	0
												Jun 29	0
												Jun 30	0

APPENDIX C **OTHER CHARGES**

Late Payment Charge –

If Customer does not pay a Bill for Gas Service on or before the gross payment due date, Customer shall be charged a Late Payment Charge as follows:

First \$3.00 or less of net billing - 10%
Over \$3.00 of net billing - 3%

Reconnect Charge –

When Gas Service is discontinued (1) at the request of Customer, (2) for nonpayment of a Bill, (3) when authorized by Company's General Terms and Conditions or the Commission's Regulations, or (4) for any reason beyond the control of Company, and a reestablishment of Gas Service is required by Customer, Customer shall be charged a Reconnect Charge to cover a part of the cost of discontinuance and reestablishment of Gas Service. Such charge shall be sixty dollars (\$60.00). In addition, when Gas Service is reconnected or disconnected after normal working hours at Customer's request, Customer shall be charged an After Hours Charge.

A charge equal to the Customer Facilities Charge for each month of discontinued Gas Service will also be made for reestablishing Gas Service for the same Customer at the same Premises where Gas Service has been discontinued at Customer's request during the preceding nine months. The minimum Customer Facilities Charge assessment under the provisions of this paragraph shall be one month's Customer Facilities Charge.

After Hours Charge –

When Gas Service is connected, reconnected, or disconnected outside of normal business hours at Customer's request, Customer shall be charged an After Hours Charge of sixty-nine dollars (\$69.00) in addition to any other applicable charges for each connection, reconnection, or disconnection.

Trip and Labor Charges –

Trip and Labor Charges shall be added to Customer's account when Customer requests Company to investigate "no gas" or "low pressure" circumstances at Customer's Premises when, upon investigation, the problem(s) causing the condition are not on Company's system. The charges that will apply are:

During Normal Business Hours

Trip Charge \$16.00
Labor Charge \$12.00 per 15 minutes

Outside of Normal Business Hours

Trip Charge \$23.00
Labor Charge \$17.00 per 15 minutes

Insufficient Funds Check Charge –

For each check of Customer returned by any bank due to insufficient funds, Customer shall be charged twenty-five dollars (\$25.00) to cover a part of the cost of processing such check.

Unauthorized Gas Usage Charge –

Gas Usage by Customer during a Curtailment Period in excess of the quantity allowed pursuant to Rule 24 shall be considered Unauthorized Gas Usage and shall be subject to the Unauthorized Gas Usage Charge of five dollars (\$5.00) per therm. Company shall have the right to waive all or a portion of the Unauthorized Gas Usage Charge otherwise applicable to any Customer, provided that waiver of such charge shall be exercised on a non-discriminatory basis.

Effective:

APPENDIX C **OTHER CHARGES**

Fraudulent or Unapproved Use of Gas Charge –

When Company detects fraudulent or unapproved use of gas, or Company's regulation, measuring equipment or other service facilities have been tampered with, Company may assess the actual costs for such field calls and repairs, in addition to the other costs pursuant to Rule 27 of Company's General Terms and Conditions. A minimum charge of seventy dollars (\$70.00) per occurrence shall apply.

Summary Billing Charge –

Bills provided by Company summarizing charges for Educational Institutions who are registered users of vectren.com are subject to a forty-five dollar (\$45.00) charge per summary bill.

APPENDIX D **BASE COST OF GAS**

For informational purposes only, the Base Cost of Gas as determined in the last general rate proceeding in Cause No. 43298, effective _____ is as set forth in the following table. The Base Cost of gas is not reflected in the Base Rates and Charges of the Rate Schedules; all gas costs are recovered through Appendix A, Gas Cost Adjustment.

<u>Rate Schedule</u>	<u>Service</u>	<u>(\$ per Therm) Commodity</u>	<u>Base Cost of Gas (\$ per Therm) Demand</u>	<u>Total</u>
210	Sales	\$0.8010	\$0.1006	\$0.9016
211	Sales	\$0.8010	\$0.1006	\$0.9016
220	Sales	\$0.8010	\$0.1006	\$0.9016
225	Transportation	\$0.0000	\$0.0000	\$0.0000
229	Sales	\$0.8010	\$0.1006	\$0.9016
240	Sales	\$0.8010	\$0.1006	\$0.9016
245	Transportation	\$0.0000	\$0.0000	\$0.0000
260	Transportation	\$0.0000	\$0.0000	\$0.0000
270	Transportation	\$0.0000	\$0.0000	\$0.0000

Effective:

APPENDIX E

NOMINATION AND BALANCING PROVISIONS

APPLICABILITY

The following Provisions shall apply to Pool Operators **and** to non-Pooling Transportation Customers being provided Gas Service under Rates 245, 260 and 270. **Therefore, for purposes of this Appendix E only, the term "Transporter", when used in the provisions below, shall mean "Pool Operator" or "Non-Pooling Transportation Customer."**

NOMINATION PROVISIONS

Transporter shall be obligated to notify Company of the exact daily quantity of its nomination to the delivering pipeline of Transporter's gas to be delivered to Company at pipeline delivery points agreeable to Company (Daily Pipeline Nomination).

Company may require Transporter to allocate its Daily Pipeline Nomination to specified city-gate pipeline delivery points based on minimum and maximum allocation percentages, which Company may revise from time to time, based on operational considerations. Transporter may obtain alternate city-gate allocations through an Alternate Delivery Plan submitted in advance by Transporter and approved by Company. Company may decline to accept Daily Pipeline Nominations or deliveries that do not comply with these city-gate allocation percentage requirements.

Transporter must provide the notice specified above prior to each change in its Daily Pipeline Nomination by submitting to Company the nomination, via the Company's EBB, by no later than 11:30 AM Central Clock Time ("CCT") of the workday previous to the start date of the Daily Pipeline Nomination. The nomination shall include the information as specified in the Company's EBB. Company may accept nominations submitted after the deadlines specified above within its reasonable discretion. Until Transporter submits the required nomination, Transporter's nominations of daily quantities shall be zero. Unless otherwise permitted by Company, the Nomination Period shall not exceed thirty-one days.

Transporter shall cause the shipper to provide Company with a written statement detailing Transporter's actual deliveries under its Daily Pipeline Nomination during each Nomination Period by no later than one day following the end of the billing month.

Transporter shall pay a Nomination Error Charge of \$0.50 per Dekatherm on the quantity difference between its Daily Pipeline Nomination and the confirmed deliveries under its Daily Pipeline Nomination for each day such difference occurs.

Transporter shall be assessed a City-Gate Allocation Non-Compliance Charge of \$1.00 per Dekatherm on the quantity difference if its Daily Pipeline Nomination is less than the minimum or greater than the maximum city gate allocation requirements, which are calculated as the minimum or maximum city gate allocation percentages multiplied by Transporter's Daily Pipeline Nomination.

APPENDIX E

NOMINATION AND BALANCING PROVISIONS

BALANCING PROVISIONS

Transporter shall be obligated to balance its total usage with the total deliveries for Transporter's account by the pipelines. An Imbalance Quantity shall exist when the Transporter's total usage is greater than or less than its total deliveries on a daily basis and/or a monthly basis. Amounts paid by the Company to Transporter in cashing out Imbalance Quantities shall be recovered in the Gas Cost Adjustment. Amounts received by Company from Transporter in cashing out Imbalance Quantities shall be credited against gas costs in the Gas Cost Adjustment. The following definitions shall apply:

Daily Index Price: The Daily Midpoint Prices per Dekatherm as reported in Gas Daily in the table "Daily Price Survey", for delivery to:

- 1) Texas Gas, Zone SL, or
- 2) ANR, La; or
- 3) Texas Eastern, ELA, or
- 4) Panhandle, Tx-Okla; or
- 5) Chicago City-Gates.

Monthly Index Price: The average of the Daily Midpoint Prices per Dekatherm for each day of the month as reported in Gas Daily in the table "Daily Price Survey", for delivery to:

- 1) Texas Gas, Zone SL, or
- 2) ANR, La; or
- 3) Texas Eastern, ELA, or
- 4) Panhandle, Tx-Okla; or
- 5) Chicago City-Gates.

The following Charges shall be computed based on each Operating System's Price Indices:

Daily Under-Delivery Charge: The Daily Under-Delivery Charge shall be the highest of the sums of each Daily Index Price and the maximum interruptible pipeline transportation rate, including fuel and all surcharges, applicable to each Daily Index Price.

Daily Over-Delivery Charge: The Daily Over-Delivery Charge shall be the lowest of the sums of each Daily Index Price and the firm pipeline transportation commodity rate, including fuel and all surcharges, applicable to each Daily Index Price.

Monthly Under-Delivery Charge: The Monthly Under-Delivery Charge shall be the greater of:

- (1) Company's average gas costs (demand and commodity), based on its gas purchases for the month; or
- (2) The highest of the sums of each Monthly Index Price and the maximum interruptible pipeline transportation rate, including fuel and all surcharges, applicable to each Monthly Index Price.

Monthly Over-Delivery Charge: The Monthly Over-Delivery Charge shall be the lower of:

- (1) Company's average gas cost (demand and commodity), based on its gas purchases for the month; or
- (2) The lowest of the sums of each Monthly Index Price and the firm pipeline transportation commodity rate, including fuel and all surcharges, applicable to each Monthly Index Price.

Monthly Average Index Charge: The Monthly Average Index Charge shall be the average of the sums of each Monthly Index Price and the average pipeline transportation commodity rate, including fuels and surcharges, applicable to each Monthly Index Price.

APPENDIX E

NOMINATION AND BALANCING PROVISIONS

DAILY BALANCING PROVISIONS

Transporter shall be obligated to balance its total usage ("Total Daily Usage") with the aggregated total daily deliveries for Transporter's account by the pipeline, as adjusted to reflect Company's unaccounted for gas percentage as specified in Appendix F ("Total Daily Deliveries"). A Daily Imbalance Quantity shall exist when the Total Daily Usage is greater than or less than the Transporter's Total Daily Deliveries.

Daily Under-Delivery Imbalance: If Transporter's Total Daily Deliveries are less than its Total Daily Usage, the gas shortfall shall be considered Daily Under-Delivery Imbalance Quantities. Daily Under-Delivery Imbalance Quantities shall either be carried to month-end or shall be cashed out with Company. Transporter shall pay Company for Daily Under-Delivery Imbalance Quantities, including applicable taxes, pursuant to the following:

For Each Dth of Daily Under-Delivery Imbalance Quantities within the Following Percentage of Total Daily Usage Ranges:		Transporter Shall Pay The Company The Following Multiple of the Daily Under-Delivery Charge:
<u>Pool Operator Ranges</u>	<u>Non-Pooling Transportation Customer Ranges</u>	<u>All Transporters</u>
> 0% not > 20%	> 0% not > 25%	No Cash-out, Carried to Month-end
> 20% not > 30%	> 25% not > 35%	1.1
> 30% not > 40%	> 35% not > 45%	1.2
> 40%	> 45%	1.4

During a Cold Weather OFO, the aforementioned Daily Under-Delivery Imbalance provisions will be replaced by those specified in the section entitled Operational Flow Orders. During a Warm Weather OFO, the Daily Under-Delivery Imbalance provisions shall not apply.

Daily Over-Delivery Imbalance: If Transporter's Total Daily Deliveries are greater than its Total Daily Usage, the excess gas shall be considered Daily Over-Delivery Imbalance Quantities. If Company or the pipeline would experience any operating difficulties as a result of Daily Over-Delivery Imbalance Quantities in excess of allowed tolerances, Company may decline to accept delivery of the excess quantities. If accepted, Daily Over-Delivery Imbalance Quantities shall either be carried to month-end or shall be cashed out with Company. Company shall pay Transporter for such Daily Over-Delivery Imbalance Quantities pursuant to the following:

For Each Dth of Daily Over-Delivery Imbalance Quantities within the Following Percentage of Total Daily Usage Ranges:		Company Shall Pay Transporter The Following Multiple of the Daily Over-Delivery Charge:
<u>Pool Operator Ranges</u>	<u>Non-Pooling Transportation Customer Ranges</u>	<u>All Transporters</u>
> 0% not > 20%	> 0% not > 25%	No Cash-out, Carried to Month-end
> 20% not > 30%	> 25% not > 35%	0.9
> 30% not > 40%	> 35% not > 45%	0.8
> 40%	> 45%	0.6

During a Warm Weather OFO, the aforementioned Daily Over-Delivery Imbalance provisions will be replaced by those specified in the section entitled Operational Flow Orders. During a Cold Weather OFO, the Daily Over-Delivery Imbalance provisions shall not apply.

APPENDIX E

NOMINATION AND BALANCING PROVISIONS

MONTHLY BALANCING PROVISIONS

Transporter shall be obligated to balance its total monthly usage ("Total Monthly Usage") with the actual monthly deliveries for Transporter's account by the pipeline, as adjusted to reflect (1) Company's system line loss percentage as specified in Appendix F, (2) the net effect of Daily Imbalance Quantities cashed out during the current month, and (3) prior month Monthly Over-Delivery Imbalance Quantities made available to Transporter or Monthly Under-Delivery Imbalance Quantities made up by Transporter, (collectively, "Total Monthly Deliveries"). A Monthly Imbalance Quantity shall exist when the Total Monthly Usage is greater than or less than the Transporter's Total Monthly Deliveries.

Monthly Under-Delivery Imbalance: If the Total Monthly Deliveries for Transporter's account at the end of the month are less than its Total Monthly Usage, the gas shortfall shall be considered Monthly Under-Delivery Imbalance Quantities. Monthly Under-Delivery Imbalance Quantities up to and including 10% of Total Monthly Usage shall be carried forward to the following month; quantities greater than 10% shall be cashed out with the Company. Transporter shall pay Company for Monthly Under-Delivery Imbalance Quantities greater than 10% of Total Monthly Usage pursuant to the following:

- (1) 1.1 times the Monthly Under-Delivery Charge for each Dekatherm of Monthly Under-Delivery Imbalance Quantities that is greater than 10%, up to and including 20% of Total Monthly Usage, plus
- (2) 1.2 times the Monthly Under-Delivery Charge for each Dekatherm of Monthly Under-Delivery Imbalance Quantities that is greater than 20%, up to and including 30% of Total Monthly Usage, plus
- (3) 1.4 times the Monthly Under-Delivery Charge for each Dekatherm of Monthly Under-Delivery Imbalance Quantities that is greater than 30% of Total Monthly Usage, plus
- (4) Applicable taxes.

Monthly Over-Delivery Imbalance: If the Total Monthly Deliveries for Transporter's account at the end of the month are greater than its Total Monthly Usage, the gas excess shall be considered Monthly Over-Delivery Imbalance Quantities. Monthly Over-Delivery Imbalance Quantities up to and including 10% of Total Monthly Usage shall be carried forward to the following month; quantities greater than 10% shall be cashed out with the Company. Company shall pay Transporter for Monthly Over-Delivery Imbalance Quantities greater than 10% of Total Monthly Usage pursuant to the following:

- (1) 0.9 times the Monthly Over-Delivery Charge for each Dekatherm of Monthly Over-Delivery Imbalance Quantities that is greater than 10%, up to and including 20% of Total Monthly Usage; plus
- (2) 0.8 times the Monthly Over-Delivery Charge for each Dekatherm of Monthly Over-Delivery Imbalance Quantities that is greater than 20%, up to and including 30% of Total Monthly Usage; plus
- (3) 0.6 times the Monthly Over-Delivery Charge for each Dekatherm of Monthly Over-Delivery Imbalance Quantities that is greater than 30% of Total Monthly Usage.

APPENDIX E

NOMINATION AND BALANCING PROVISIONS

OPERATIONAL FLOW ORDERS

Transporter is obligated, when requested by the Company through an Operational Flow Order ("OFO"), to nominate and deliver gas supply to Company's city gates in the manner instructed by Company. Company may call a Cold Weather OFO or a Warm Weather OFO where such action is necessary, in Company's sole judgment, to (1) protect the reliability of Company's gas system; (2) comply with Company's Curtailment Procedures, and/or (3) adhere to the various interstate pipeline companies' balancing requirements, as stated in their FERC-approved tariffs. Company may call a Cold Weather OFO or a Warm Weather OFO for a specific Operating System or for the Company's entire system.

Cold Weather OFO Day: During a Cold Weather OFO, Transporter shall be subject to the following Daily OFO Under-Delivery Imbalance provisions:

If Transporter's Daily Under-Delivery Imbalance Quantities are greater than 5% of Total Daily Usage, the shortfall quantities shall be cashed out with the Company. Transporter shall pay Company the following:

- (1) For each Dekatherm of Daily Under-Delivery Imbalance Quantities greater than five (5) percent of Total Daily Usage, the greater of the highest per unit gas cost paid by Company on the date of noncompliance or the Daily Under-Delivery Charge; plus
- (2) The payment of all other charges incurred by Company and attributable to Transporter's Daily Under-Delivery Imbalance Quantities, including pipeline penalty charges on the OFO shortfall quantities; plus
- (3) An OFO Imbalance Charge of \$10.00 per Dekatherm on the portion of the Daily Under-Delivery Imbalance Quantities that is greater than five (5) percent of Total Daily Usage; plus
- (4) Applicable taxes.

Warm Weather OFO Day: During a Warm Weather OFO, the Transporter shall be subject to the following Daily OFO Over-Delivery Imbalance provisions:

If Transporter's Daily Over-Delivery Imbalance Quantities are greater than 5% of its actual Total Daily Usage, Company may refuse to receive such excess quantities from the pipeline(s). If Company receives such excess quantities, they shall be cashed out with Company. Company shall pay Transporter for each Dekatherm of Daily Over-Delivery Imbalance Quantities greater than five (5) percent of Total Daily Usage, the lesser of the lowest per unit gas cost paid by Company on the date of non-compliance or the Daily Over-Delivery Charge. Transporter shall pay Company the following:

- (1) The payment of all charges incurred by Company and attributable to the Transporter's Daily Over-Delivery Imbalance Quantities; including pipeline penalty charges on the OFO excess quantities; and
- (2) An OFO Imbalance Charge of \$10.00 per Dekatherm on the portion of the Daily Over-Delivery Imbalance Quantities that is greater than five (5) percent of Total Daily Usage; plus
- (3) Applicable taxes.

APPENDIX E

NOMINATION AND BALANCING PROVISIONS

IMBALANCE TRADING

Transporter may trade Daily and Monthly Imbalance Quantities to reduce or eliminate its imbalances. Imbalance Trading is subject to the following Terms and Conditions:

- (1) Daily Imbalances incurred during Operational Flow Order periods are not eligible for trading.
- (2) The schedule for the trading of imbalances shall be as follows:
 - a. Company shall issue an initial statement of daily and monthly imbalances (i.e. prior to imbalance trades) to Transporter within ten (10) business days following the end of the month.
 - b. Transporter shall complete and submit its daily and monthly imbalance trades to Company within two (2) business days following the issuance of the initial imbalance statement.
 - c. Company shall issue a final imbalance statement of daily and monthly imbalances to Transporter within three (3) business days following the close of imbalance trading.
- (3) The quantity eligible for trading is 100% of the calculated pre-trade daily or monthly imbalance quantities. Transporter may not trade to establish an imbalance in the opposite direction of the original imbalance.
- (4) Company will bill both parties to an Imbalance Trade a ten dollar (\$10.00) Imbalance Trading Charge for each transaction. For purposes of this charge, a transaction is each transfer of gas imbalance on a specific gas day pursuant to an arrangement by, or between, Transporters to purchase, sell, or trade gas imbalances.
- (5) Any dollar payments, receipts, or exchanges of other consideration agreed upon between the parties to an Imbalance Trading transaction are outside the scope of this tariff and must be completed between the Transporters themselves.
- (6) Trading of imbalances will not be permitted across Operating Systems, unless specifically approved in advance by Company.

WAIVER OF CHARGES

In its reasonable discretion, on a case-by-case basis, Company may waive all or part of any Charge assessable to Transporter pursuant to this Appendix E, when such Charge results from imbalances which occur beyond the reasonable control of the Transporter, such as an unexpected production outage or equipment malfunction. The waiver of such Charge shall be exercised on a non-discriminatory basis. Requests for waivers must be submitted in writing to Company and signed by an authorized representative of Transporter.

APPENDIX F

UNACCOUNTED FOR GAS PERCENTAGE

APPLICABILITY

This Appendix shall be applicable to all Transportation Customers, School Suppliers and Pool Operators.

DESCRIPTION

0.5% of the quantities received by Company from Transportation Customer, School Supplier or Pool Operator at a point of receipt on the Company's distribution system shall be retained by Company to compensate for unaccounted for gas.

The Unaccounted For Gas Percentage stated above shall be reviewed and adjusted annually by Company, through updating of this Appendix after approval by the Commission, to reflect any changes in the system unaccounted for gas percentage.

APPENDIX G

UNIVERSAL SERVICE FUND RIDER

APPLICABILITY

The Universal Service Fund ("USF") Rider, established in accordance with the Commission's Order in Cause No. 42590 and 43078, recovers the unfunded balance in the USF from customers receiving service under all rate schedules.

RATES AND CHARGES

The USF Rider shall be applied to each therm of metered gas usage each month. The current USF Riders by Rate Schedule are set forth below:

<u>Rate Schedule</u>	<u>USF Rider (per therm)</u>
210	\$0.0000
211	\$0.0000
220	\$0.0000
225	\$0.0000
229	\$0.0000
240	\$0.0000
245	\$0.0000
260	\$0.0000
270	\$0.0000

APPENDIX H

PIPELINE SAFETY ADJUSTMENT

APPLICABILITY

The Pipeline Safety Adjustment ("PSA") shall be applicable to all Customers on the Rate Schedules set forth in the PSA CHARGES section below.

DESCRIPTION

The PSA shall recover Company's incremental Operation and Maintenance expenses related to complying with federal mandates resulting from the Pipeline Safety Improvement Act of 2002. Such costs would include expenses related to mapping, training, assessment, testing, data collection and storage, verification audits, remediation, right-of-way clearing, public education programs and all other costs required to comply, including associated taxes.

Company's actual, incremental pipeline safety expenses shall be allocated to the Rate Schedules using the cost allocation factors as set forth in the PSA CHARGES section below.

Company's actual, incremental pipeline safety expenses, subject to a \$2.5 million annual limit, shall be reconciled annually with the actual recovery under this Pipeline Safety Adjustment, with any difference being reflected as a charge or credit over the next twelve months.

Actual incremental pipeline safety expenses incurred by the Company in excess of the \$2.5 million annual limit shall be deferred for recovery either through this PSA in a subsequent period or, if approved, in Company's base rates.

PSA CHARGES

The Pipeline Safety Adjustment shall be applied to each therm of metered gas usage each month. The current PSAs by Rate Schedule are set forth below:

<u>Rate Schedule</u>	<u>PSA (\$ per Therm)</u>	<u>Allocation Percentage</u>
210/211 (1)	\$0.0013	73.8891%
220/229	\$0.0009	17.1129%
225	\$0.0009	0.5465%
240	\$0.0006	0.3945%
245	\$0.0004	3.0665%
260	\$0.0002	4.9905%

The approved Settlement and Commission Order in Cause No.42598 that established the PSA provide for a comprehensive review of the operation of the PSA after three (3) years.

(1) The Pipeline Safety Adjustment for Rate 211 is stated in \$ per gas lighting fixture.

Effective:

APPENDIX I

ENERGY EFFICIENCY RIDER

APPLICABILITY

The Energy Efficiency Rider shall be applicable to all Customers served under the following Rate Schedules:

- Rate 210 – Residential Sales Service
- Rate 220 – General Sales Service
- Rate 225 – School Transportation Service

DESCRIPTION

The Energy Efficiency Rider will be the sum of the following two components, for each applicable Rate Schedule as described below:

- (1) Energy Efficiency Funding Component (EEFC)
- (2) Sales Reconciliation Component (SRC)

Energy Efficiency Funding Component (EEFC):

The EEFC shall recover the costs of funding energy efficiency efforts throughout Company's Service Area. These efforts may include, among others, energy efficiency programs, customer education programs and weatherization programs designed to benefit Customers under the applicable Rate Schedules.

The estimated annual costs, plus related revenue taxes, shall be divided by projected sales volumes to determine the applicable EEFC. The actual costs recoverable and the actual costs recovered under the EEFC shall be reconciled, with any under or over recovery being recovered or returned via the EEFC over a subsequent twelve month period.

Sales Reconciliation Component (SRC):

The SRC shall recover the differences between Actual Margins and Adjusted Order Granted Margins for the applicable Rate Schedules.

Actual Margins are defined as monthly margins for each Rate Schedule, prior to the SRC Adjustment. Adjusted Order Granted Margins are defined as the order granted monthly margins for each Rate Schedule as approved in Company's most recent general rate case as adjusted to reflect the change in number of customers from the order granted levels. To reflect the change in number of customers, order granted margin per customer is multiplied by the change in the number of customers since the like month during the test year, with the product being added to the order granted margins for such month.

Company shall defer the calculated differences between Actual Margins and Adjusted Order Granted Margins for subsequent return or recovery via the SRC. Annually, Company shall reflect in a revised SRC the accumulated monthly margin differences.

The accumulated monthly margin differences for each Rate Schedule shall be divided by projected sales volumes for each Rate Schedule to determine the applicable SRC. Projected and actual recoveries by Rate Schedule under the SRC are reconciled, with any under or over recovery being recovered or returned over the next twelve month period.

APPENDIX I

ENERGY EFFICIENCY RIDER

ENERGY EFFICIENCY RIDER RATE

The applicable Energy Efficiency Rider Rate (the sum of the EEFC and SRC) shall be applied to each therm of metered gas usage each month.

<u>Rate Schedule</u>	<u>(A)</u> <u>Energy Efficiency</u> <u>Component</u>	<u>(B)</u> <u>Sales Reconciliation</u> <u>Component</u>	<u>(A) + (B)</u> <u>Energy Efficiency</u> <u>Rider Rate</u>
210	\$0.00567	\$0.00155	\$0.00722
220/225	\$0.00567	\$0.00012	\$0.00579

All rates are in \$/therm.

APPENDIX J

SCHOOL NOMINATION AND BALANCING PROVISIONS

APPLICABILITY

The following Provisions shall apply to School Suppliers under Rate 285.

DAILY SCHEDULING OF DIRECTED DELIVERY QUANTITIES:

By 10:00 a.m. Central Clock Time (CCT), Company will post on its EBB, School Supplier's DDQ by Pool for the gas day beginning 9:00 a.m. CCT the following day. Such DDQ shall be the sum of: 1) the Expected Demand of School Supplier's Pool for that gas day calculated using the Pool's demand equation and forecasted weather plus an Unaccounted For Gas Percentage as set forth in Appendix F; and 2) any necessary adjustments for interstate pipeline and/or Company operating constraints, system knowledge and experience, and/or prior imbalances associated with the periodic volume reconciliations. The DDQ will be stated in city gate Dekatherms. At the time of posting the DDQ, Company shall indicate the minimum, maximum or exact volume that shall be delivered by Supplier on each interstate pipeline or to each Company city gate to achieve the DDQ, and shall post any interstate pipeline and/or Company operating constraints that are expected to be in effect the following day(s). By 11:30 a.m. CCT each day, and via intra-day nominations thereafter, Supplier shall nominate to the Company via the Company's EBB the quantity of gas that it has scheduled for delivery at Company's city gate(s) for its Pool(s) for the following gas day. Supplier agrees to adhere to comply with any Company operating and/or interstate pipeline restrictions communicated by Company.

APPENDIX J

SCHOOL NOMINATION AND BALANCING PROVISIONS

BALANCING PROVISIONS

School Supplier shall be obligated to balance its forecasted DDQ with the total daily deliveries of School Supplier-Delivered Gas. An Imbalance Quantity shall exist when the School Supplier's DDQ is greater than or less than its total deliveries on a daily basis. Amounts paid by Company to School Supplier in cashing out Imbalance Quantities shall be eligible for recovery in the Gas Cost Adjustment. Amounts received by Company from School Supplier in cashing out Imbalance Quantities shall be credited against gas costs in the Gas Cost Adjustment.

The following definitions shall apply:

Daily Index Price: The Daily Midpoint Prices per Dekatherm reported in Gas Daily, in the table "Daily Price Survey" for delivery to:

- (2) Texas Gas, Zone SL, or
- (3) ANR, La; or
- (4) Texas Eastern, ELA, or
- (5) Panhandle, Tx-Okla; or
- (6) Chicago City-Gates.

Daily Under-Delivery Charge: The Daily Under-Delivery Charge shall be the highest of the sums of each Daily Index price and the maximum interruptible pipeline transportation rate, including fuel and all surcharges, applicable to each Daily Index Price.

Daily Over-Delivery Charge: The Daily Over-Delivery Charge shall be the lowest of the sums of each Daily Index Price and the firm pipeline transportation commodity rate, including fuel and all surcharges, applicable to each Daily Index Price.

DAILY BALANCING PROVISIONS

School Supplier shall be obligated to balance its Pool DDQ with the aggregated total daily deliveries of School Supplier-Owned Gas by the pipeline ("Total Daily Deliveries"). A Daily Imbalance Quantity shall exist when the School Supplier's Total Daily Deliveries are greater than or less than the DDQ.

Daily Under-Delivery Imbalance:

During a Cold Weather OFO, these provisions will be replaced by those specified in the section entitled Operational Flow Orders.

If School Supplier's Total Daily Deliveries are less than its DDQ, the gas shortfall shall be considered Daily Under-Delivery Imbalance Quantities. School Supplier shall pay Company for Daily Under-Delivery Gas Quantities of Total Daily Usage pursuant to the following:

- (1) the Daily Under-Delivery Charge for each Dekatherm of Under-Delivery Imbalance Quantity; plus
- (2) DDQ non-compliance charge of \$1.00 per Dekatherm; plus
- (3) All other charges incurred by Company and attributable to School Supplier's Daily Under-Delivery Imbalance Quantity, including pipeline penalty charges; plus
- (4) Applicable taxes.

Daily Over-Delivery Imbalance:

During a Warm Weather OFO, these provisions will be replaced by those specified in the section entitled Operational Flow Orders.

If School Supplier's Total Daily Deliveries are greater than its DDQ, the excess gas shall be considered Daily Over-Delivery Imbalance Quantities. Company shall pay School Supplier for each Dth of Daily Over-Delivery Gas Quantities the Daily Over-Delivery Charge.

Effective:

APPENDIX J

SCHOOL NOMINATION AND BALANCING PROVISIONS

School Supplier shall pay Company for Daily Over-Delivery Gas Quantities pursuant to the following:

- (1) the DDQ non-compliance charge of \$1.00 per Dekatherm; plus
- (2) All other charges incurred by Company and attributable to School Supplier's Daily Over-Delivery Imbalance Quantity, including pipeline penalty charges; plus
- (3) Applicable taxes.

OPERATIONAL FLOW ORDERS

School Supplier is obligated, when requested by the Company through an Operational Flow Order ("OFO"), to nominate and deliver gas supply to the Company's city gates in the manner instructed by the Company. Company may call a Cold Weather OFO or a Warm Weather OFO where such action is necessary, in the Company's sole judgment, to (1) protect the reliability of Company's gas system; (2) comply with Company's Curtailment Procedures in the General Terms and Conditions Applicable to Gas Service, and/or (3) adhere to the various interstate pipeline companies' balancing requirements, as stated in their FERC-approved tariffs.

Cold Weather OFO Day: During a Cold Weather OFO, the School Supplier shall be subject to the following Daily OFO Under-Delivery Imbalance provisions:

When School Supplier has a Daily Under-Delivery Imbalance School Supplier shall pay Company the following:

- (5) For each Dekatherm of Daily Under-Delivery Imbalance Quantity the higher of the highest incremental gas cost paid by Company on the date of noncompliance or the Daily Under-Delivery Charge; plus
- (6) OFO Non-Compliance Charge of \$10.00 per Dekatherm; plus
- (7) All other charges incurred by Company and attributable to School Supplier's Daily Under-Delivery Imbalance Quantity, including pipeline penalty charges on the OFO shortfall quantities; plus
- (8) Applicable taxes.

Warm Weather OFO Day: During a Warm Weather OFO, the School Supplier shall be subject to the following Daily OFO Over-Delivery Imbalance provisions:

When a School Supplier has a Daily Over-Delivery Imbalance the Company shall pay School Supplier for each Dekatherm of Daily Over-Delivery Imbalance Quantity the lower of the lowest incremental gas cost paid by Company on the date of noncompliance or the Daily Over-Delivery Charge.

School Supplier shall pay Company for Daily Over-Delivery Quantities pursuant to the following:

- (1) OFO Non-Compliance Charge of \$10.00 per Dekatherm; plus
- (2) All charges incurred by Company and attributable to the School Supplier's Daily Over-Delivery Imbalance Quantity; including pipeline penalty charges on the OFO excess quantities; plus
- (3) Applicable taxes.

APPENDIX J

SCHOOL NOMINATION AND BALANCING PROVISIONS

IMBALANCE TRADING

School Supplier may trade daily imbalance quantities with other School Suppliers to reduce or eliminate its imbalances. Imbalance Trading is subject to the following Terms and Conditions:

- (1) Daily Imbalances incurred during Operational Flow Order periods are not eligible for trading.
- (2) The schedule for the trading of imbalances shall be as follows:
 - a. Company shall issue an initial statement of monthly imbalances (i.e. prior to imbalance trades) to School Supplier.
 - b. School Supplier shall complete and submit its monthly imbalance trades to Company within two (2) business days following the issuance of the initial imbalance statement.
 - c. Company shall issue a final imbalance statement of monthly imbalances to School Supplier within three (3) business days following the close of imbalance trading.
- (3) The quantity eligible for trading is 100% of the calculated pre-trade daily imbalance quantities. School Supplier may not trade to establish an imbalance in the opposite direction of the original imbalance.
- (4) Any City-gate Non-Compliance volumes will not be changed due to trading of imbalances, and will be subject to the City-Gate Non-Compliance Charge.
- (5) Company will bill both parties to an Imbalance Trade a \$10.00 Imbalance Trading Charge for each transaction. For purposes of this charge, a transaction is each transfer of gas imbalance on a specific gas day pursuant to an arrangement by, or between, School Supplier(s) to purchase, sell, or trade gas imbalances.
- (6) Any dollar payments, receipts, or exchanges of other consideration agreed upon between the parties to an Imbalance Trading transaction are outside the scope of this Tariff for Gas Service and must be completed between the parties themselves.
- (7) Trading of imbalances will not be permitted across operational systems or Gas Transportation Programs.

VOLUME RECONCILIATIONS

Annual Reconciliation:

Company will identify imbalances on an annual basis for each School Supplier's Pool through calculating the difference between the Pool's Delivered Supplies and its Pool's Usage. Calculation of imbalances will be based on Supplier's monthly deliveries to its Pool reduced by the Unaccounted For Gas Percentage as set forth in Appendix F and compared to the Pool's total usage.

School Supplier will eliminate any annual imbalances via either:

- (1) payment from Company for Over-Delivery Imbalance Quantities, or
- (2) payment from School Supplier for Under-Delivery Imbalance Quantities

at the "Weighted Average Imbalance Price" calculated based on

- (1) School Supplier deliveries; and
- (2) the arithmetic average of the "Monthly Contract Index" prices published as reported by Inside FERC's Gas Market Report in the table "Prices of Spot Gas Deliveries to Pipelines" for the applicable months during the period of delivery to:

- (1) Texas Gas, Zone SL, or
- (2) ANR, La; or
- (3) Texas Eastern, ELA, or
- (4) Panhandle, Tx-Okla; or
- (5) Chicago City-Gates,

inclusive of firm pipeline transportation commodity rate, fuel and all surcharges, and adjusted for the necessary taxes.

Effective:

APPENDIX J

SCHOOL NOMINATION AND BALANCING PROVISIONS

WAIVER OF CHARGES

In its reasonable discretion, on a case-by-case basis, Company may waive all or part of any Charge assessable to School Supplier pursuant to this Appendix J, provided, however, that the waiver of such Charge shall be exercised on a non-discriminatory basis. Requests for waivers, showing justifiable cause, must be submitted in writing to Company.

APPENDIX K

DISTRIBUTION REPLACEMENT ADJUSTMENT

("DRA")

APPLICABILITY

The Distribution Replacement Adjustment ("DRA") shall be applicable to all Customers receiving Gas Service under the Rate Schedules as set forth below in the DRA Charges section.

DESCRIPTION

The DRA shall recover Company's annual revenue requirement associated with its accelerated replacement of cast iron and/or bare steel related infrastructure. The DRA shall reflect the impact of cumulative net plant additions as offset by cumulative maintenance expense reductions at the end of the most recent twelve month period.

DRA CHARGES

The Distribution Replacement Adjustment shall be applied to each therm of metered gas usage each month. The current DRAs by Rate Schedule are set forth below:

<u>Rate Schedule</u>	<u>DRA (\$ per Therm)</u>
210	\$0.0000
220	\$0.0000
225	\$0.0000
240	\$0.0000
245	\$0.0000
260	\$0.0000

GENERAL TERMS AND CONDITIONS **APPLICABLE TO GAS SERVICE**

APPLICABILITY

These Terms and Conditions shall be applicable to Gas Service provided by Company. In the event these Terms and Conditions conflict with any Definition, Rate Schedule or Appendix, the Terms and Conditions shall be controlling.

1. APPLICATION OR CONTRACT REQUIRED FOR GAS SERVICE

- A. An application and/or contract, properly executed, may be required from Customer before Company will provide Gas Service, provided, however, that Company shall have the right to reject any application and/or offer of contract for any valid reason.
- B. When Customer's application for Gas Service is accepted by Company, such application and acceptance shall constitute an agreement between Customer and Company.
- C. Company shall determine the availability of Gas Service and the conditions under which Gas Service shall be provided.
- D. Company shall prescribe reasonable terms to be included in the contract between Company and Customer.
- E. If a contract between Company and Customer contains any provision which is contrary to, or becomes contrary to, any Definition, Rate Schedule, Company's General Terms and Conditions, the Commission's Regulations, any lawful decision of the Commission or is, or becomes, otherwise not in accordance with valid local, state and/or federal laws, such provision shall be of no force or effect.
- F. In its reasonable discretion, Company may require a long-term contract when unusual construction or equipment expense is necessary to provide Gas Service.
- G. Company may refuse Gas Service or disconnect Gas Service on account of arrearages due for Gas Service furnished to persons formerly receiving service at the Premises as Customer of Company, if the former Customer continues to reside at such Premises.

2. ALL AGREEMENTS TO BE INCORPORATED IN CONTRACT

No promises, agreements or representations of any agent of Company shall be binding upon Company unless the same shall have been incorporated in a written contract before such contract is signed and approved by an authorized agent of Company.

3. ASSIGNMENT OF CONTRACT

The benefits and obligations of any contract for Gas Service shall inure to and be binding upon successors and assigns, and executors or administrators, as the case may be, of the original parties thereto, respectively, for the full-term thereto; provided that no assignment thereof shall be made by Customer without first obtaining Company's prior written consent.

4. DATA ON CUSTOMER'S INSTALLATION

Upon request of Company, Customer shall present in writing to Company a list of the equipment or appliances which are or will be connected to Company's lines, giving the locations on the Premises and the nameplate input ratings of all such equipment or appliances.

5. CONSENT FROM COMPANY BEFORE INCREASING LOAD

Commercial and Industrial Customers shall not install gas equipment of any kind or otherwise increase the demand for Gas Service beyond existing contractual limits or facilities capabilities except upon prior written consent from Company.

Effective:

GENERAL TERMS AND CONDITIONS **APPLICABLE TO GAS SERVICE**

6. EXTENSION OF COMPANY'S FACILITIES

- A. The obligation of Company to provide any extension of facilities shall be subject to the Restrictions on New and Additional Gas Service and Curtailment Procedures made effective pursuant to other provisions of Company's General Terms and Conditions and as otherwise provided by law.
- B. Upon request for Gas Service by a prospective Customer or a group of prospective Customers located in the same area, Company will extend without charge its facilities including distribution mains, underground service pipes, meters and other equipment necessary to provide the service provided:
 - 1) that Company's estimate of its Non-Gas Cost Revenue from such Gas Services provided to the prospective Customer(s) for a period of five and one-half (5.5) years is equivalent to or in excess of Company's estimate of the cost of providing such facilities, and;
 - 2) the prospective patronage or demand is of such permanency as to warrant the capital expenditure involved.
- C. If the cost of the facilities necessary to provide the Gas Service requested exceeds the without-charge limit; Company may require either a deposit or adequate provision of the payment of a deposit equal to the cost of the facilities extension in excess of the without-charge limit.
- D. Any refundable extension deposit accepted by Company shall be subject to refund until the expiration of the six-year contract period. For each Customer connected to the extension, Company shall refund an amount by which five and one-half (5.5) times the estimated annual Non-Gas Cost Revenue for gas appliances actually installed exceeds the estimated cost of connecting such Customer. At no time shall the aggregate refund made to any depositor exceed the amount of extension deposit received from such depositor.
- E. Upon request for Gas Service by a prospective Customer where, in Company's opinion, the facilities extension is of such length and the prospective Non-Gas Cost Revenue which may be developed by it is so meager as to make it doubtful whether the Non-Gas Cost Revenue from the extension would ever pay a fair return on the investment involved, or in the case of a real estate development with slight or no immediate demand for service, or in the case of Industrial installations requiring slight or irregular service and requiring extensive equipment, such facilities extension requests shall be submitted to the Commission for investigation and determination as to the convenience and necessity of such extension, and if so required, the conditions under which they shall be made.

GENERAL TERMS AND CONDITIONS **APPLICABLE TO GAS SERVICE**

7. COMPANY'S SERVICES, METERS AND APPURTENANCES

- A. Company shall locate the point to which the service connection will be made, and subject to other provisions of Company's Terms and Conditions, shall furnish, install and maintain all piping up to the inlet of the meter.
- B. Customer shall provide, at no expense to Company, a suitable route for the service line and a place near the service entrance, acceptable to Company, for the meter or meters and any necessary appurtenant devices which may be provided by Company.
- C. Customer shall allow Company the necessary easements or consents authorizing the installation and maintenance, on, over and through Customer's private property, of all piping, meters or allied equipment as may be necessary or convenient for providing Gas Service to Customer, either by Customer's agreement to abide by Company's General Terms and Conditions, or execution of Company-supplied forms for such specific easements.
- D. All Gas Service provided by Company shall be measured by a meter or meters installed and maintained by Company in accordance with the Commission's Regulations.
- E. Customer may be required to contribute to part or all of the costs of such facilities including applicable taxes.

8. CUSTOMER'S RESPONSIBILITY FOR COST OF FACILITIES MODIFICATIONS

If Customer either by request or by action requires that Company's facilities be redesigned, re-engineered, relocated, removed, modified, or reinstalled, Company may require Customer to make payment to it of the full cost of performing such facilities modifications including any applicable taxes.

9. COMPANY PROPERTY AND PROTECTION THEREOF

All meters and other equipment furnished by and at the expense of Company which may at any time be on or in Customer's Premises, shall, unless otherwise expressly provided, be and remain the property of Company, and Customer shall protect such property from loss or damage, and nobody except authorized agents of Company, shall be permitted to remove, change or adjust such property.

GENERAL TERMS AND CONDITIONS **APPLICABLE TO GAS SERVICE**

10. CUSTOMER'S PIPING, APPLIANCES AND EQUIPMENT

- A. Customer shall furnish, install and maintain all necessary piping beyond the outlet side of the meter and the appliances and equipment connected to such piping, in accordance with applicable state and local codes, regulations and/or requirements and in accordance with Company's Terms and Conditions.
- B. It shall not be the duty of Company to inspect Customer's piping, appliances or equipment.
- C. Company reserves the right to refuse to provide Gas Service when conditions are believed to be dangerous, hazardous, or otherwise unacceptable in the judgment of Company, although Company is under no duty to make such a judgment.
- D. Except as authorized by Company, no Gas Service other than that being provided by Company shall be used on the same installation as is used for the service supplied by Company.

11. ACCESS TO CUSTOMER'S PREMISES

Authorized agents of Company shall have access to Customer's Premises at all reasonable times for the purpose of:

- A. Turning on or shutting off, reading, inspecting, testing, repairing, or replacing the meter or meters or other equipment used in providing Gas Service and for removing the same upon the termination of the contract and/or discontinuance of Gas Service;
- B. Determining the compliance of Customer with the applicable Rate Schedule and Appendices, contract with the Company, Company's General Terms and Conditions, or the Commission's Regulations; and
- C. Accessing Customer's gas appliances to re-light or turn off pilot lights.

GENERAL TERMS AND CONDITIONS **APPLICABLE TO GAS SERVICE**

12. PREDICATION OF RATE SCHEDULES

- A. Company's Rate Schedules are predicated upon one type of Gas Service being provided separately to Customer at a single Premises.
- B. The combining through one meter of Gas Services under two or more Rate Schedules or to two or more Premises shall not be permitted.

13. CUSTOMER'S SELECTION OF RATE SCHEDULE

- A. When more than one Rate Schedule is applicable to Customer, Customer shall select which Rate Schedule Customer desires, provided that each selection of Rate Schedule shall remain in effect for no less than a twelve-month period.
- B. Company does not guarantee that Customer shall be served under the most favorable Rate Schedule at all times, and no refund shall be made for the difference in charges between the Rate Schedule under which Gas Service has been provided and another applicable Rate Schedule.

14. RESALE OF SERVICE

Gas Service shall not be provided to any Customer for resale in whole or in part, except to a public utility regulated by the Commission or for the express and limited purpose of providing NGV Service. However, Company is under no obligation to provide Gas Service for resale to another public utility.

GENERAL TERMS AND CONDITIONS **APPLICABLE TO GAS SERVICE**

15. METERING

- A. Certain charges for Gas Service provided to Customer shall be calculated based upon the measurement of the meter or meters installed by Company.
- B. Whenever it is determined that an installed meter is not recording within the limits of accuracy as prescribed by the Commission's Regulations, a billing adjustment shall be made in accordance with the Commission's Regulations.
- C. Meters shall be read monthly, or at other intervals as the circumstances may require, at the option of the Company.
- D. For billing purposes, where gas is metered at low pressure (inches of water column), a cubic foot of gas shall be taken to be the amount of gas in a volume of one cubic foot under the conditions existing in Customer's meter as and where installed; provided, however Company may at its option install meters which will compensate for changes in temperature above or below 60° Fahrenheit.
- E. For billing purposes, where gas is metered at higher pressure (psig), the volume of gas measured shall be corrected to correspond to a gas of standard conditions, free of water vapor, as a temperature 60° Fahrenheit and an absolute pressure of 14.65 pounds per square inch.
- F. When, for the convenience of Company, more than one meter is installed on one Premises for metering Gas Service to Customer under one Rate Schedule, the sum of the measurements of all such meters may be used to render one Bill.
- G. When, for the convenience of Customer, more than one meter is installed on one Premises for metering Gas Service to Customer under one Rate Schedule, separate Bills may be rendered for each meter, at the applicable rates and charges.

GENERAL TERMS AND CONDITIONS **APPLICABLE TO GAS SERVICE**

16. BILLING

- A. Bills for Gas Service shall be rendered monthly. A billing month shall be as near to thirty days as is practicable, but may exceed that period as the circumstances may require.
- B. In order to render monthly Bills, for good cause Company may estimate the monthly usage of gas of any Customer, with appropriate adjustments to be made by Company on the first Bill rendered following the reading of the meter. Good cause includes but is not limited to:
 - 1. request of Customer;
 - 2. inclement weather;
 - 3. labor or union disputes;
 - 4. inaccessibility of Customer's meter if Company has made a reasonable attempt to read the meter, but was unable to;
 - 5. non-monthly meter reading schedule or no meter read on final bill; and
 - 6. other circumstances beyond the reasonable control of the Company, its agents, and employees.
- C. Any Customer who does not desire to receive an estimated Bill may read its meter and communicate the readings to the Company in an appropriate format that will be provided by Company.
- D. Company offers an optional alternative billing method for eligible Residential and Small Commercial Customers that averages Customer's estimated bill over an extended period ("Budget Bill"). Customer's normal monthly Budget Bill amount shall be based on a reasonably accurate estimation of future bills and shall be subject to no more than a single mid-cycle bill adjustment. Year-end Customer actual bill balances in excess of the normal monthly Budget Bill amount shall be rolled into Customer's next year's normal monthly Budget Bill amounts.

17. PAYMENT OF BILLS

- A. Bills must be paid through a Company authorized method of payment, including mail-in payments, bank drafts (ACH), approved pay sites, electronic check and credit card payments, and electronic funds transfer, as they may change from time to time.
- B. If a Bill payment is not received by Company through an authorized method of payment on or before the gross payment date stated on the Bill, Customer shall be considered delinquent in payment and a late payment charge shall be levied.
- C. The gross payment date shall be at least seventeen days after the Bill is mailed by Company. When such date falls on a Saturday, Sunday, and other legal holiday, or a day Company's office is not open for business, the gross payment date shall be the first business day thereafter.
- D. Failure to receive a Bill shall not entitle Customer to pay the net Bill, if Customer fails to make payment on or before the gross payment date, nor shall it affect the right of Company to discontinue Gas Service for nonpayment of Bill as provided in the Commission's Regulations.

GENERAL TERMS AND CONDITIONS **APPLICABLE TO GAS SERVICE**

18. DEPOSIT OR ARRANGEMENT TO ENSURE PAYMENT OF BILL

- A. Company may require from a present or prospective Residential Customer a cash deposit when standards of creditworthiness, as set forth in the Commission's Regulations, are not satisfied. The amount of such deposit shall not exceed one-third of the expected annual billing for Gas Service to be furnished to Customer.
- B. Company may require from a present or prospective Commercial or Industrial Customer a cash deposit equal to the sum of estimated billing amounts for Customer's two consecutive months of highest usage. Such deposits may be based on historical or expected usage.
- C. In lieu of a cash deposit, Company may in its reasonable discretion require an alternative security arrangement (e.g., a prepayment which is intended to serve the same purpose as a cash deposit).
- D. Interest will be paid, at an interest rate set annually by the Commission, on deposits held more than thirty (30) days, beginning with the date of deposit to the date the deposit is credited to Customer's account.
- E. Deposits for Residential Customers will be credited to Customer's Bill after Customer has established a creditworthy payment record in accordance with standards set forth in the Commission's Regulations. At the request of Customer, the deposit shall be refunded to Customer in lieu of being credited to Customer's Bill.
- F. The deposit of a Residential Customer who does not establish a creditworthy payment record may be retained by Company until Gas Service is discontinued.
- G. The deposit of a Commercial or Industrial Customer may be retained by Company until Gas Service is discontinued.
- H. The deposit, plus accrued interest, if any, may be applied to the final Bill when Gas Service is discontinued. After applying the deposit and interest to the final Bill, any credit balance shall be refunded to Customer, except that any credit balances less than \$10.00 will not be refunded to Customer unless so requested by Customer.

GENERAL TERMS AND CONDITIONS **APPLICABLE TO GAS SERVICE**

19. DISCONTINUANCE OF SERVICE AT CUSTOMER'S REQUEST

- A. Whenever Customer desires to have Gas Service discontinued, Customer shall notify Company at least three working days in advance of the day discontinuance is desired. Customer shall remain responsible for all Gas Service used and the billing rendered therefore until Gas Service is discontinued.
- B. When Customer has entered into a contract with Company to take Gas Service from Company and Customer orders discontinuance of Gas Service before the expiration dates as established in the contract, Customer shall be liable for the payment of all applicable charges for the months remaining in the un-expired period of the contract term. Customer's liability for those charges shall be in addition to any other rights which Company may have with respect to the contract.

20. DISCONTINUANCE OF SERVICE WITHOUT NOTICE

Company can discontinue Gas Service to Customer without notice for any of the following reasons:

- A. For emergency repairs; or
- B. For lack of sufficient capacity or quantities of gas supply; or
- C. To maintain normal operating pressures; or
- D. If Company's regulators, meters, or other appurtenances or connections thereto have been tampered with and Company has reasonable grounds to believe that the affected Customer is responsible for such tampering; or
- E. If fraudulent or unauthorized use of gas is detected and Company has reasonable grounds to believe the affected Customer is responsible for such use; or
- F. If there exists in Customer's piping or in connection with Customer's gas-using equipment, any condition which, in Company's judgment, is dangerous or hazardous to life, physical safety or property; or
- G. If there exists any other condition which, in Company's judgment, is dangerous or hazardous to life, physical safety or property; or
- H. For any violation of Company's rules pursuant to Rule 28;
- I. For any other lawful reason.

Such discontinuance shall not, however, invalidate any contract and Company shall have the right to enforce any contract, notwithstanding such discontinuance.

GENERAL TERMS AND CONDITIONS **APPLICABLE TO GAS SERVICE**

21. LIMITATIONS OF LIABILITY

- A. Neither Company nor Customer shall be liable to the other for any act, omission or event caused by strikes, acts of God, or unavoidable accidents or contingencies beyond its control.
- B. Company shall not be liable for damages for any failure to supply gas or for an interruption, limitation, or Curtailment of Gas Service, whether or not such disruption is ordered by a governmental agency having jurisdiction, if such failure, interruption, limitation, or Curtailment is due to the inability of Company to obtain sufficient gas supplies at economical prices from its usual and regular sources or due to any other cause whatsoever other than willful default of Company.
- C. Company shall not be liable for damages caused by defective piping or appliances on Customer's Premises.
- D. Company shall not be liable for damages resulting to Customer or to third persons from the presence or use of gas or the presence of Company's equipment on Customer's Premises, unless due to the willful default or negligence on the part of Company.

22. NOTICE BY COMPANY

- A. Notice by Company to Customer may be given by letter, statement or postcard deposited in the United States mail or private carrier with postage prepaid, or by facsimile, or email, or where written notice is not required, notice may be given by physical note or orally by any authorized agent of Company, either in person or by telephone.
- B. The notice shall be considered given:
 - 1. When actually communicated in the case of oral notice; or
 - 2. When deposited in the United States mail or placed with private carrier when notice is given by letter, statement or postcard; or
 - 3. When sent when notice is given by facsimile; or
 - 4. When a physical note is left at Customer's Premises.

Effective:

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23. GAS SERVICE TO MOBILE HOME PARKS

The obligation of Company to provide any extension of facilities shall be subject to the Restrictions on New and Additional Gas Service and Curtailment Procedures made effective pursuant to other provisions of Company's General Terms and Conditions. Subject to the foregoing, Company shall provide Gas Service to a Mobile Home Park ("Park") under the following conditions:

- A. Permanency. The Park shall be of a definite permanent nature and have improved streets, individual water and sewer connections to each lot, and each mobile home must rest on a concrete slab.
- B. Size. The Park shall have at least ten or more sites on which mobile homes may be located.
- C. Main Extensions. Main extensions shall be made in accordance with Rule 6 of Company's General Terms and Conditions, but for purposes of Rule 6, each Park Operator shall be considered to be the Customer. Non-Gas Cost Revenue estimates shall be determined by Company based on its knowledge of gas usage of mobile homes, taking in account the number and nature of gas appliances to be used and any other reasonable factors. Each Park Operator shall enter into an extension of facilities contract for construction of gas mains, if the Park does not have enough existing mobile homes equipped with gas appliances to justify a gas main extension under Rule 6.
- D. Easement. The Park Operator shall cause Company to be granted an easement in form and substance satisfactory to Company for the construction, maintenance and operation of Company's gas distribution system, together with the right of free access to read meters and repair or remove Company's services, regulators, meters and any other facilities installed by Company.
- E. Extension and Metering. Company shall upon execution of an extension of facilities contract or work order showing economic feasibility and receipt of a proper easement, construct and maintain the required distribution system to serve the Park. Company shall extend service to each mobile home site to be supplied. The gas riser and the meter for each mobile home site shall be located in the rear one-third section of the site and not less than eighteen (18) inches from the roadside wall of the mobile home, unless a different location is deemed necessary by Company.

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- F. Fuel Lines. The Park Operator or mobile home Customer shall furnish, install, and maintain all fuel lines beyond Company's meters to the point of connection with the mobile home piping. The fuel lines to individual mobile home sites shall be:
1. Adequately sized to provide minimum pressure drop, but in no case less than 3/4" pipe,
 2. Equipped with a terminal shutoff at a point adjacent to the mobile home, and
 3. Connected to the mobile home piping with either a semi-rigid tube or all-metallic flexible connector that shall be looped to prevent strain caused by settling or movement of the mobile home.
- G. Meter Protection. The Park Operator shall provide substantial protection satisfactory to Company for the gas riser and meter so as to minimize the likelihood of damage by moving of the mobile home.
- H. Relocation of Facilities. The Park Operator shall keep the gas distribution system free and clear of any obstruction that will interfere with the maintenance of the system and shall not construct or maintain any structure over Company's distribution mains or services. When there is a change in the Park's operation or construction which, in the judgment of Company, makes the relocation of the gas facilities necessary, or if relocation is requested by the Park, Company will move such facilities at the Park's expense to a location acceptable to Company to be provided by the Park.
- I. Rate Schedule. Gas Service will be supplied and metered separately to each single occupancy dwelling unit and/or such Park facility under the applicable Rate Schedule.

GENERAL TERMS AND CONDITIONS **APPLICABLE TO GAS SERVICE**

24. CURTAILMENT PROCEDURES

When sufficient capacity or quantities of gas are not available to Company to meet existing and reasonably anticipated demands for Gas Service or to protect and replenish Company's underground gas storage reserves, which determinations shall be within Company's reasonable discretion, Company shall have the right to curtail Gas Service within any of its distribution systems so affected in accordance with the provisions of this Rule.

A. **Definitions.** For the purpose of this Rule, the following terms shall have the meanings defined below:

- (1) **Firm Curtailment Customer.** A Firm Curtailment Customer shall mean any Customer being served under Rate 220, 225, 245, 260, 270 whose Average Daily Throughput in any billing month during or subsequent to the Base Period exceeds 1,000 therms.
- (2) **Average Daily Throughput.** The Average Daily Throughput for any Base Period billing month shall be the Firm Curtailment Customer's metered Throughput during such month divided by the number of days in the month.
- (3) **Base Period.** The Base Period is any twelve consecutive billing months as established by Company.
- (4) **Normal Monthly Throughput.** The Normal Monthly Throughput shall be the Firm Curtailment Customer's metered Throughput during each billing month of the Base Period. These quantities may be adjusted by Company for unusual circumstances.
- (5) **Human Needs Customers.** Human Needs Customers shall include hospitals, medical centers, nursing homes, and other Customers as determined by Company, whose Curtailment could adversely affect public health or safety.
- (6) **Gas Supply Curtailment.** Curtailment resulting from insufficient quantities of Company-supplied gas to meet the demands of Company's Sales Customers.
- (7) **Capacity Curtailment.** Curtailment resulting from insufficient distribution system capacity to supply Gas Services to Company's Gas Service Customers.
- (8) **Plant Protection Level.** The minimum quantity of Gas Service for Firm Curtailment Customers or Alternate Fuel capability for Interruptible Service Customers required by Customer to prevent endangering the health or safety of personnel, or to prevent extensive damage to Customer's facilities, equipment, or other property. This includes the protection of such material currently in process at the time a Curtailment is called which would otherwise be destroyed, but shall not include Gas Service required to maintain plant production.

B. **Curtailment Sequences.** Company shall have the right to curtail Gas Service to its Customers according to the following sequences. Such Curtailment shall be effective as of the date and time specified in the notice to Customer. When necessary in the sole opinion of Company, Gas Service shall be maintained to Human Needs Customers or other Customers who would otherwise be curtailed, to the extent necessary and practicable under the circumstances.

Effective:

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B.1. Gas Supply Curtailment Sequence.

- (1) First, Rate 260 and 270 Non-Pooling Transportation Customers and Pool Operators' and School Suppliers' Pools (under Rate Schedules 280 and 285) shall be subject to the Cold Weather OFO in Appendix E and Appendix J as applicable.
- (2) Next, Rate 240 Customers' purchases of Company-Supplied Gas shall be interrupted 100% and Rate 245 Non-Pooling Customers shall be subject to the Cold Weather OFO in Appendix E.
- (3) Next, as determined by Company, all Rate 220 Firm Curtailment Customers' purchases of Company-Supplied Gas shall be limited to either:
 - (a) their respective Average Daily Throughput each day over any portion of the billing month, or
 - (b) their respective Normal Monthly Throughput.
- (4) Next, as determined by Company, all Rate 220 Firm Curtailment Customers' purchases of Company-Supplied Gas shall be curtailed prorata, either:
 - (a) on a daily basis for any period specified by Company by application of a uniform percentage curtailment to their respective Average Daily Throughput, or
 - (b) on a billing month basis by application of a uniform percentage curtailment to their respective Normal Monthly Throughput.

At this point in the Curtailment sequence, Firm Curtailment Customers shall not be curtailed to a daily quantity less than their respective Plant Protection Levels.

- (5) Next, all Rate 220 Firm Curtailment Customers' purchases of Company-Supplied Gas shall be curtailed to a daily quantity equal to their respective Plant Protection Levels.
- (6) Next, Rate 245, 260 and 270 Non-Pooling Transportation Customers and Pool Operators' and School Suppliers' (under Rate Schedules 280 and 285) Pool Customers' transportation gas quantities on Company's system shall be limited to Customers' respective Plant Protection Levels, and the remainder of their delivered supply shall be diverted to use for Company System supply.
- (7) In the event further Curtailment is required to maintain Gas Service, Company shall be entitled to curtail or interrupt Gas Service to any Customer.
- (8) Compensation for the diversion of Customers' transportation gas quantities as provided for in Rule 27(B1) (6), will be in the amount of:
 - (a) **Daily Index Price:** The Daily Midpoint Prices per Dekatherm as reported in Gas Daily in the table "Daily Price Survey", for delivery to:
 - 1) Texas Gas, Zone SL, or
 - 2) ANR, La; or
 - 3) Texas Eastern, ELA, or
 - 4) Panhandle, Tx-Okla; or
 - 5) Chicago City-Gates.

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- (b) the maximum interruptible transportation rate, including all applicable surcharges, for the applicable pipeline delivering the diverted gas to Company's system; plus
- (c) The average premium paid by the Company (stated on a per therm basis) to firm gas suppliers.

Such gas costs shall be recoverable by Company through the Gas Cost Adjustment.

B.2.Capacity Curtailment Sequence.

- (1) First, Rate 260 and 270 Non-Pooling Transportation Customers and Pool Operators' and School Suppliers' Pools (under Rate Schedules 280 and 285) shall be subject to the Cold Weather OFO in Appendix E and Appendix J as applicable.
- (2) Next, Rate 240 Customers' purchases of interruptible Company-Supplied Gas quantities shall be interrupted 100%. Rate 245 Non-Pooling Customers shall be subject to the Cold Weather OFO in Appendix E.
- (3) Next, as determined by Company, all Firm Curtailment Customers' transportation quantities or purchases of Company-Supplied Gas, as applicable, shall be limited to either:
 - (a) their respective Average Daily Throughput each day over any portion of the billing month, or
 - (b) their respective Normal Monthly Throughput.
- (4) Next, as determined by Company, all Firm Curtailment Customers' transportation quantities or purchases of Company-Supplied Gas, as applicable, shall be curtailed prorata, either:
 - (a) on a daily basis for any period specified by Company by application of a uniform percentage curtailment to their respective Daily Throughput, or
 - (b) on a billing month basis by application of a uniform percentage curtailment to their respective Normal Monthly Throughput.

At this point in the Curtailment sequence, a Firm Curtailment Customer shall not be curtailed to a daily quantity less than its Plant Protection Level.

- (5) Next, all Firm Curtailment Customers shall be curtailed to their respective Plant Protection Levels.
- (6) In the event further Curtailment is required to maintain Gas Service, Company shall be entitled to curtail or interrupt deliveries of Gas Service to any Customer.

GENERAL TERMS AND CONDITIONS **APPLICABLE TO GAS SERVICE**

C. Curtailment Notification.

- (1) Company shall give notification of Curtailment in the most effective manner possible and as much in advance as reasonably possible with regard to the existing circumstances and the number of Customers to be notified.
- (2) If reasonably possible, Firm Curtailment Customers shall be given seven days advance notice of any Curtailment.
- (3) In the event of Curtailment of Firm Curtailment Customers, Company shall provide notice to each Firm Curtailment Customer of its Normal Monthly Throughput and Average Daily Throughput.

D. Lifting of Curtailment. Any Curtailment shall be lifted in reverse order of the Curtailment Sequence.

E. Unauthorized Gas Usage.

- (1) Assessment of Unauthorized Gas Usage Charge. When a Curtailment is in effect pursuant to the provisions of paragraph B of this Rule, gas usage by Customer in excess of the quantity permitted for such Customer shall constitute Unauthorized Gas Usage and shall be subject to the Unauthorized Gas Usage Charge set forth in Appendix C.
- (2) During the Curtailment period, Customer shall have no entitlement to Unauthorized Gas Usage. In the event Customer continues Unauthorized Gas Usage, Company may, in its sole discretion, discontinue Gas Service to Customer. The assessment of the Unauthorized Gas Usage Charge and the exercise of the right to discontinue Gas Service by Company shall be in addition to any other rights Company may have with respect to Customer's Unauthorized Gas Usage.

25. RESTRICTIONS ON NEW AND ADDITIONAL GAS SERVICE

A. Company reserves the right:

- (1) to restrict the extension of mains, the installation of service lines and/or the addition of new Customers for any class of service, and/or
- (2) to restrict the annual, seasonal or monthly volume and/or maximum hourly take of said Customers in keeping with available gas supply and system capacity.

B. Company may exercise such restrictions within its reasonable discretion:

- (1) to ensure the provision of safe, adequate and reliable service to existing Customers.
- (2) on a temporary basis until Company is able to complete an engineering analysis; or
- (3) for any other valid reason to protect system integrity.

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26. SERVICE CONTRACTS

- A. Customer may contract with Company to provide Contract service not specifically contained within this Tariff for Gas Service. Such contract services may include, but not limited to:
 - 1. maintenance of Customer-Owned gas facilities,
 - 2. installation of gas facilities on Customer's Premises, and
 - 3. engineering/construction related services.
- B. Customer and Company shall enter into a contract specifying the terms and conditions under which such contract services shall be provided.
- C. The cost of providing such contract services shall be based on a methodology similar to that used by Company to establish costs of providing similar services under this Tariff for Gas Service, including applicable administrative and overhead charges.
- D. The terms of payment for such contract services shall be mutually agreed to by Customer and Company. The payment of such services may appear as a separate item on Customer's Bill for Gas Service.
- E. Contracting for services under this Rule will in no way affect Customer's and Company's respective obligations regarding the rendering of and payment for Gas Service under this Tariff for Gas Service and the applicable Rate Schedule and Appendices.

27. FRAUDULENT USE OF GAS

When Company detects fraudulent or unapproved use of gas, or Company's regulation, measuring equipment or other service facilities have been tampered with, the Company may reasonably assume that Customer or other user has benefited by such fraudulent or unapproved use of such tampering. Customer or other user shall be responsible for payment of the reasonable cost of Gas Service used during the periods such fraudulent or unapproved or tampering occurred or is reasonably assumed to have occurred and for the cost of field calls, investigation and the cost of effecting repairs necessitated by such use and/or tampering. Company may assess a Fraudulent Gas Usage Charge as set forth in Appendix C per occurrence for such field calls and repairs. Under such circumstances Company may, subject to any provision of Commission Rule 16 to the contrary, disconnect service without notice and Company is not required to reconnect the service until a deposit and all the above enumerated charges are paid in full. All Statutory penalties shall be fixed by court of competent jurisdiction or by agreement between Company and Customer.

28. VIOLATION OF RULES

Company may discontinue Gas Service upon violation by any Customer of any of Company's rules or regulations of which these General Terms and Conditions are a part, by giving seven days written notice mailed to such Customer at his address shown upon Company's records, advising Customer in what particular such rule or regulation has been violated, but where fraudulent use of gas is detected or where Company's regulation or measuring equipment has been tampered with or where a dangerous condition is found to exist on Customer's Premises, Gas Service may be shut off without notice in advance. Company shall not be liable for damage of any character caused by or resulting from a violation of these General Terms and Conditions.

AFFILIATE AND COST ALLOCATION GUIDELINES

AFFILIATE GUIDELINES

The OUCC and Indiana Gas Company, Inc. and/or Southern Indiana Gas and Electric Company ("Utility") (collectively "Parties") have negotiated in connection with Cause No. 41465 the following Affiliate Guidelines to govern the relationships between the Utility and its Affiliates. By agreement, the Guidelines have been modified in connection with Cause no. 37394GCA50S1 ("GCA50"). The Parties agree that these guidelines are intended to be enforced by the IURC, and they shall become effective upon their approval by the IURC. The OUCC and Utility may, through negotiation and agreement, jointly petition the IURC for modifications to these Affiliate Guidelines, in which case they would have the burden of proving any proposed change is in the public interest considering all relevant factors, including, but not limited to, price of service and the impact on competition. If either the OUCC or Utility desires changes to these Affiliate Guidelines and is unable to obtain agreement from the other party for such changes, then the party desiring changes may petition the IURC for the desired changes and bear the burden of proving that such changes are in the public interest. However, such petitions shall not be filed without first attempting to obtain the agreement of the other party. Subject to the following sentence, anyone else seeking a change to these Guidelines may also petition the IURC and would bear the burden of proving that the proposed changes are in the public interest. However, any such petition shall not be filed without the Utility and the OUCC first being notified and given a reasonable opportunity to consider the proposed change. The Commission may also make modifications to these Affiliate Guidelines on its own motion, after notice and hearing.

These Affiliate Guidelines should be read in conjunction with the "Cost Allocation Guidelines" developed by the OUCC and Utility and also approved by the Commission in Cause No. 41465. Subject through March 31, 2007 to the Settlement Agreement and ARP approved in GCA50 and Cause No. 42233, the Affiliate Guidelines and the Cost Allocation Guidelines govern all current and future affiliate relationships between the Utility and its Affiliates, with the limited exception that the Commission may approve an Affiliate contract that differs from these Guidelines if the Utility files a petition requesting an exception from the Guidelines and satisfies its burden to demonstrate that such contract is in the public interest considering all relevant factors, including, but not limited to, price of service and the impact on competition.

One purpose of these Affiliate Guidelines is to establish standards for procurement on competitive terms to govern the Utility's procurement of goods, services, assets, and other utility resources. Such procurement "on competitive terms" (as defined herein) shall be done with the objective of obtaining the best terms available for the Utility and its customers. The only exception to these procurement standards is the provision of "shared corporate support and administrative services" such as corporate treasury services and human resources. These services may be shared with other companies/affiliates with the Vectren organization. The pricing of those services to the Utility shall be based on cost and be in accordance with the Cost Allocation Guidelines. See the definitions section below for a complete definition of "shared corporate support and administrative services".

AFFILIATE AND COST ALLOCATION GUIDELINES

DEFINITIONS

The definitions below apply to terms used in the Affiliate Guidelines and the Cost Allocation Guidelines.

"Affiliate" "Affiliate" means a person that is an affiliated interest for purposes of I.C. 8-1-2-49 or that is otherwise found to be an "Affiliate" by the Commission or otherwise is an "Affiliate" under Indiana Law.

"Person" "Person" includes the following: (a) individual, (b) corporation, regardless of type or state or country of incorporation, (c) unincorporated association, (d) company, whether limited liability or otherwise, and (e) business trust, estate, partnership, trust, two (2) or more persons having a joint or common economic interest, and any other entity.

"Commission" "Commission" means the Indiana Utility Regulatory Commission.

"IURC" "IURC" means the Indiana Utility Regulatory Commission

"OUCC" "OUCC" means the Indiana Office of Utility Consumer Counselor.

"Holding Company" "Holding Company" means the parent company, Vectren Corporation, or its successor in interest of Indiana Gas Company and/or Southern Indiana Gas and Electric Company.

"Competitive Terms" "Competitive Terms" means the best terms reasonably available in the competitive marketplace at that time (including the terms available from the Utility itself under efficient operation) giving due consideration to both price and non-price terms such as quality and reliability. If the Utility itself can provide the services at the lowest cost with comparable quality and reliability, then that cost shall be considered the "competitive terms."

"Shared Corporate Support and Administrative Services" "Shared Corporate Support and Administrative Services" means the following types of functions/services that the Utility may share with other companies/affiliates within the Vectren organization: (1) accounting and corporate treasury services; (2) human resources; (3) information technology and communications services; (4) corporate directors and officers services; (5) legal services; (6) insurance and claims; (7) billing; (8) customer call center services; (9) facility and fleet management; and (10) environmental services. (See Specific Affiliate Guidelines Section 2, Items J, L and O related to "Shared Corporate Support and Administrative Services.")

"Capital Costs" "Capital Costs" means the costs associated with obtaining the financial capital required to provide physical assets such as office buildings, computers or office equipment.

"Non-Regulated" "Non-Regulated" means not regulated by the Indiana Utility Regulatory Commission (IURC). "Non-Regulated" also applies to products or services over which the IURC has declined its jurisdiction.

"Similarly Situated" "Similarly Situated" means having general characteristics in common such as belonging to the same rate class or operating in the same or similar industries. A utility affiliated gas or power marketer would, for example, be considered similarly situated to other non-affiliated gas or power marketers.

AFFILIATE AND COST ALLOCATION GUIDELINES

GENERAL AFFILIATE GUIDELINES

- A. No Cross-Subsidies.** The Utility shall not subsidize Affiliates or non-regulated activities.
- B. Separation of Regulated and Non-Regulated Operations.** The separation of the Utility's regulated operations from the Holding Company's non-regulated business operations and Affiliates is necessary to prevent potential cross-subsidies. To the maximum extent practicable, the Utility shall separate its regulated operations from its own, its Affiliates and its Holding Company's non-regulated operations. Instances where such separation does not exist must otherwise be in compliance with the Affiliate Guidelines and the Cost Allocation Guidelines.
- C. No Discrimination.** The Utility shall not discriminate in favor of or otherwise give preferential treatment to its Affiliates, its Affiliates' customers or the Utility's own non-regulated activities.
- D. Comparability of Service.** The Utility shall provide comparable service to all similarly situated marketers, customers or other entities, regardless of affiliation.
- E. Procurement on Competitive Terms.** With the exception of "shared corporate support and administrative services" (defined above) the procurement of goods, services, assets and other resources by the Utility shall be on competitive terms, consistent with the public interest and in compliance with these Affiliate Guidelines and the Cost Allocation Guidelines. The Utility may procure services from an Affiliate but such procurement must be done on competitive terms (defined above). The Utility's procurement process shall also comply with General Guideline C above (i.e., No Discrimination). The pricing of "shared corporate support and administrative services" to the Utility shall be based on cost and be in accordance with the Cost Allocation Guidelines.

AFFILIATE AND COST ALLOCATION GUIDELINES

SPECIFIC AFFILIATE GUIDELINES

1. Affiliates shall be charged for all costs incurred on their behalf. These costs shall be appropriately and reasonably allocated and shall include, but not be limited to, those associated with shared facilities, general and administrative support services and other corporate overheads.
2. The Utility shall process all similar requests for service in the same manner and within the same reasonable time period for all similarly situated customers, marketers and other entities, regardless of affiliation.
3. The Utility shall not give preference to or discriminate in favor of its Affiliates, its Affiliates customers or its own non-regulated activities in matters including, but not limited to, the allocation, assignment, release, or transfer of rights to intrastate or interstate capacity, use of Utility distribution facilities, storage on system, rights to storage off system or in the sale of gas.
4. The Utility shall not condition or tie any agreement to provide Utility service to any agreement relating to a service to be provided by an Affiliate.
5. To the maximum extent practicable, Utility employees shall function separately and independently from employees of Affiliates and those engaged in non-regulated activities including, but not limited to, gas marketers, power marketers and other service providers.
6. The Utility may not, through tariff or otherwise, give any Affiliate or an Affiliate's customer or any non-regulated activity a preference or an advantage with respect to the transportation of gas including, but not limited to, the movement or delivery of gas on its distribution system, the administration of customer contracts, scheduling, nomination, balancing, metering, storage, standby service, curtailment policy, or billing/invoice disputes.
7. The Utility shall apply tariffs and their provisions and all other aspects of Utility service on a consistent and non-discriminatory basis to all similarly situated marketers, customers, and other entities regardless of affiliation.
8. Any discount or rebate for Utility service offered by the Utility to an Affiliate or an Affiliate's customer shall be offered on a non-discriminatory basis to all similarly situated marketers, customers, or other entities, regardless of affiliations. If the Utility waives a penalty or fee related to Utility service for an Affiliate or an Affiliate's customer, it shall waive such penalty or fee for similarly others on a non-discriminatory basis.

AFFILIATE AND COST ALLOCATION GUIDELINES

9. The Utility shall not give preference to or discriminate in favor of its Affiliate or its Affiliate's customers in its provision of information. This includes, without limitation, information related to the sale or marketing of energy or energy services to existing or potential new customers and information related to the availability of transmission, distribution or storage capacity. Specific customer information shall be made available to affiliated or unaffiliated entities only upon consent of the customer or as otherwise provided by law or Commission rules or orders, except that customer name and address information may be provided to energy marketers or energy service providers.
10. The Utility may share information technology and communications services with other companies/affiliates within the Vectren organization. However, such sharing of information technology and communications services shall not be done in a manner that violates Specific Guideline 9 above regarding the non-discriminatory provision of information. The Utility shall take whatever steps are necessary to fulfill this requirement such as, for example, the implementation of electronic "firewalls" or other measures to control access to Utility information.
11. The Utility shall not speak on behalf of its Affiliates or give the appearance that it speaks on behalf of its Affiliates. The Utility Affiliates shall not speak on behalf of the Utility or give the appearance that they speak on behalf of the Utility.
12. Customer call handling shall be performed on a non-discriminatory basis without respect to affiliations of the customer or affiliations of the customer's marketer or energy service provider. If a customer requests information about alternative sources of supply, the customer service representatives shall offer to provide a list of all alternative suppliers known to be serving customers in the same rate class as the customer making the inquiry, except those suppliers excluded by mutual agreement of the Utility and the OUCC. Such a list may include Utility Affiliates, but the Utility customer service representatives shall not promote or endorse services offered by an affiliate. To ensure compliance with Specific Guidelines 9, 10, 11 and 12, the guidelines for handling of customer calls and information have been set out in writing and attached as Appendix A-1.
13. The Utility's Affiliates shall not trade upon, promote, or suggest that they receive preferential treatment as a result of affiliation with the Utility.
14. The Utility and its Affiliates shall not participate in joint advertising. An Affiliate may, however, reference the fact of its affiliation with the holding company. Such public references shall not: (a) make the Affiliate appear to be part of the Utility, or (b) suggest that the Affiliate or the Affiliate's customers will have any advantage as a result of the affiliation.
15. If the charges for Utility services are combined with charges for non-regulated energy services into a single bill, such a combined bill format will be made available on a non-discriminatory basis to non-affiliated entities that provide energy services in the Utility's service territory.
16. The Utility and its Affiliates shall maintain separate books and records, which shall be available for Commission inspection consistent with Indiana law.

AFFILIATE AND COST ALLOCATION GUIDELINES

17. The OUCC and its agents shall have access to officers and employees and access to the books and records of the Utility and its Affiliates as reasonably necessary to ensure compliance with these Affiliate Guidelines, the Cost Allocation Guidelines and Title 8 of the Indiana Code. If disputes arise between the OUCC and Utility regarding the reasonableness of the timing or scope of requested access to Affiliate and Utility books and records, if not resolved by the parties, then such disputes may be presented to the Commission through use of an alternative dispute resolution process as agreed upon by the OUCC and Utility. During this process, Utility shall bear the burden of demonstrating the unreasonableness of the OUCC's request. In seeking a resolution of access disputes, the parties agree that time is of the essence, and the intent of the parties is that the Commission's review of such disputes will be facilitated by the parties so that the review can be as expeditious as possible.
18. All complaints relating to these Affiliate Guidelines and the Cost Allocation Guidelines, whether written or verbal, shall be submitted to the general counsel of the Utility or the Utility's highest-ranking legal employee ("general counsel"). The general counsel shall acknowledge to complainant such complaint within five (5) working days of receipt. The general counsel shall conduct a preliminary investigation and prepare a written statement of the complaint which shall contain the name of the complainant and a detailed factual report of the incident or incidents, underlying the complaint, including all relevant dates, companies involved, employees involved and the specific claim. The general counsel shall communicate the results of the preliminary investigation to the complainant in writing within twenty (20) days after the complaint was received including a description of any course of action to be taken. In the event the Utility and the complainant are unable to resolve the complaint, the complainant may file a complaint with the Commission. Any complaint filed with the Commission before it was filed with the Utility under this section shall be held in abeyance while the procedures outlined here are followed. The general counsel shall keep a log of all complaints for a period of not less than three (3) years and shall keep such a log available for inspection by the IURC, OUCC and complainant.
19. All transactions between the Utility and its Affiliates shall be in accordance with a written contract filed with the IURC pursuant to I.C. 8-1-2-49. The Utility shall maintain sufficient records of all such transactions for at least three (3) years so as to allow for a complete and thorough audit.
20. The Utility shall meet with the OUCC to review all proposed Affiliate contracts. Upon filing of Affiliate contracts with the IURC, copies of such contracts will be delivered to the OUCC. Affiliate contracts shall be governed by Indiana law and these Affiliate Guidelines and the Cost Allocation Guidelines. To the extent the Guidelines contain provisions or commitments that go beyond what would otherwise be required under Indiana law, the Guidelines shall control. The OUCC reserves its rights to challenge such contracts at any time.

AFFILIATE AND COST ALLOCATION GUIDELINES

PROCEDURES FOR FILING AFFILIATE CONTRACTS

All Affiliate contracts shall be filed with the IURC and be in conformance with these Guidelines, the Cost Allocation Guidelines and Indiana Law. Such contracts shall be available for public inspection, except to the extent that information is protected from public disclosure under Indiana law. These Affiliate Guidelines in no way affect the IURC's duties and/or authority under Indiana law to inter alia investigate such contracts, hold public hearings related to such contracts and/or disapprove such contracts. These Affiliate Guidelines also in no way affect the OUC's right to inter alia initiate investigations of such contracts.

ANNUAL INFORMATIONAL FILING

The Utility shall file annually with the Commission and provide copies to the OUC the following information concerning the Utility's Affiliates and its non-regulated activities.

1. The names and business addresses of the officers and directors of each Affiliate that has transacted any business with the Utility during the previous twelve (12) months. For each such Affiliate, the Utility shall also provide the following in its annual informational filing:
 - a. The Affiliate's name and a description of the Affiliate's primary line(s) of business and a description of the nature of the Affiliate's business with other non-affiliated entities.
 - b. A schedule detailing and summarizing the nature and the dollar amounts of the transfers of assets, goods and services between the Utility and the Affiliate that took place during the applicable twelve-month period.
2. A listing of all contracts currently in effect between the Utility and the Affiliate indicating the nature of the transactions, the date the contract became effective and the contract's expiration date.
3. A corporate organization chart, which shows the parent holding company, the Utility, its Affiliates, and their relationships to one another.
4. A description of the methods used to identify, value, and record transfers of assets, goods and services between the Utility and its Affiliates.
5. A description of the methods used to allocate federal and state income tax expense, payments and refunds to the Utility and its Affiliates.
6. A description of sharing of personnel between the Utility and its Affiliates during the twelve-month period.
7. A log of complaints maintained by the Utility under section 18 of Specific Affiliate Guidelines.
8. A listing and descriptions of all non-regulated activities engaged in by the Utility, including the amount of revenues and expenses generated by each such non-regulated activity.

These annual informational filings shall commence on the date thirty (30) days after the effective date of the Commission's approval of these Affiliate Guidelines, and shall repeat thereafter at the end of the Utility's fiscal year. These annual informational filings shall not serve or be interpreted as a pre-approval process.

AFFILIATE AND COST ALLOCATION GUIDELINES

COST ALLOCATION GUIDELINES

The OUCC and Indiana Gas Company, Inc. ("Utility") (collectively "Parties") have negotiated in connection with Cause No. 41465 the following Cost Allocation Guidelines to govern the allocation of costs between the Utility and its Affiliates. The OUCC retains all of its rights and authority to dispute the reasonableness of and/or recovery of all Utility costs, including those to which these Cost Allocation Guidelines may be applicable. Mere allocation of costs under these guidelines does not predetermine the reasonableness of rate recovery of such costs. The Parties agree that these guidelines are intended to be enforced by the IURC, and they shall become effective upon their approval by the IURC. The OUCC and Utility may through negotiation and agreement, jointly petition the IURC for modifications to these Cost Allocation Guidelines, in which case they would have the burden of proving any proposed change is in the public interest considering all relevant factors, including, but not limited to, price of service and the impact on competition. If either the OUCC or Utility desires changes to these Cost Allocation Guidelines and is unable to obtain agreement from other party for such changes, then the party desiring changes may petition the IURC for the desired changes and bear the burden of proving that such changes are in the public interest. However, such petitions shall not be filed without first attempting to obtain the agreement of the other party. Subject to the following sentence, anyone else seeking a change to these Cost Allocation Guidelines may also petition the IURC and would bear the burden of proving that the proposed changes are in the public interest. However, any such petition shall not be filled without the Utility and the OUCC first being notified and given a reasonable opportunity to consider the proposed change. The Commission may also make modifications to these Cost Allocation Guidelines on its own motion, after notice and hearing.

These Cost Allocation Guidelines should be read in conjunction with the "Affiliate Guidelines" developed by the OUCC and Utility and also approved by the Commission in Cause No. 41465. Subject to Section H of the Settlement Agreement in Cause No. 41465, the Affiliate Guidelines and the Cost Allocation Guidelines govern all current and future affiliate relationships between the Utility and its Affiliates with the limited exception that the Commission may approve an Affiliate contract that differs from these Guidelines if the Utility files a petition requesting an exception from the Guidelines and satisfies its burden to demonstrate that such contract is in the public interest considering all relevant factors, including, but not limited to, price of service and the impact on competition.

The following Cost Allocation Guidelines govern the allocation of costs associated with "shared corporate support and administrative services" which have been defined in the Definition section of the Affiliate Guidelines and which may be shared with other companies/affiliates within the Vectren organization. By their nature, these costs are associated with functions and operations that are shared and not separate. The allocation methods should apply to those Utility Affiliates who share corporate support and administrative functions in order to prevent subsidization from the regulated Utility and ensure equitable cost sharing among the regulated Utility and its Affiliates. The pricing of "shared corporate support and administrative services" to the Utility shall be based on cost and be in accordance with these Cost Allocation Guidelines.

AFFILIATE AND COST ALLOCATION GUIDELINES

DEFINITIONS

See the definitions section of the Affiliate Guidelines for the definitions of terms used in the Affiliate Guidelines.

GUIDELINES

1. No Cross-Subsidies. The Utility shall not subsidize Affiliates or non-regulated activities.
2. The Utility shall maintain and utilize an accounting system and records that identify and appropriately allocate costs between the Utility and its Affiliates.
3. The Utility's costs for jurisdictional rate purposes shall reflect only those costs attributable to its jurisdictional customers.
4. The Utility and all Affiliates that share corporate support and administrative services shall maintain documentation including organizational charts, accounting bulletins, procedure and work order manuals or other related documents, which describe how costs are allocated between regulated and non-regulated services or products.
5. Affiliates shall be charged an appropriate and reasonable allocation of all shared corporate support and administrative costs incurred on their behalf. These costs include, but are not limited to, those associated with shared facilities and other corporate overheads.
6. To the maximum extent practicable, shared corporate support and administrative costs should be accumulated and classified on a direct cost basis for each asset, service or product provided.
7. The shared corporate support and administrative costs that cannot be directly assigned per item (6) above, should to the maximum extent possible be allocated to the Utility and its Affiliates and to the service or products to which they relate using relevant allocators which best reflect or consider the cost causative characteristics of the product/service being provided.
8. Where allocation/assignment pursuant to (6) and (7) is not practical, general allocation factors shall be utilized to allocate all remaining costs between the Utility and its Affiliates and between service and product lines ultimately provided by the Utility and its Affiliates.
9. The allocation of capital costs between the Utility and its Affiliates (incurred in the provision of "shared corporate support administrative" services) shall be based on the following:
 - a. The cost of capital used for such allocations shall equal the Utility's weighted average cost of capital as last found by the Commission.
 - b. Depreciation shall be charged on a straight-line basis. Depreciation rates used for such allocations shall be consistent with the accepted useful life of the asset(s) and in accordance with generally accepted accounting principles and regulatory accounting requirements, as applicable.

AFFILIATE AND COST ALLOCATION GUIDELINES

10. The Utility and its Affiliates shall maintain separate books and records, which shall be available for Commission inspection consistent with Indiana law.
11. The OUCC and its agents shall have access to officers and employees and access to the books and records of the Utility and its Affiliates as is reasonably necessary to ensure compliance with the Affiliate Guidelines, the Cost Allocation Guidelines and Title 8 of the Indiana Code. If disputes arise regarding the reasonableness of the timing or scope of requested access to Affiliate and Utility books and records, if not resolved by the parties, then such disputes may be presented to the Commission through use of an alternative dispute resolution process as agreed upon by the OUCC and Utility. During this process, Utility shall bear the burden of demonstrating the unreasonableness of the OUCC's request. In seeking a resolution of access disputes, the parties agree that time is of the essence, and the intent of the parties is that the Commission's review of such disputes will be facilitated by the parties so that the review can be as expeditious as possible.
12. The cost assignment/allocation methodologies discussed herein are applicable to shared corporate support and administrative services. The Utility's procurement of all other goods, services, assets, and other resources shall be on competitive terms, consistent with the public interest and in compliance with the Affiliate Guidelines and the Cost Allocation Guidelines.

AUDIT REQUIREMENTS

Each year an independent auditor appointed by the OUCC shall do an audit. OUCC staff members may assist the auditor. The purpose of the audit shall be to ensure that the Utility complies with these Cost Allocation Guidelines. Any violations of the Cost Allocation Guidelines shall be noted and explained in the auditor's report, a copy of which shall be provided to the Utility, the Commission and the OUCC. Vectren shall annually contribute up to \$50,000 toward the auditor's costs/fees.

AFFILIATE AND COST ALLOCATION GUIDELINES

Customer Call Handling Process

Outline of Customer Call Handling Guidelines and Infrastructure

In order to provide for the operation of an efficient, high quality call center operation that handles customer calls and information in a manner consistent with the terms of the Affiliate and Cost Allocation Guidelines, this outline has been developed. The intent is to describe the guidelines for customer call handling and the requirements for separation between staff handling calls about regulated services and staff handling calls about non-regulated services. The key components include:

- **Staffing** A separate non-regulated service call handling staff including a separate exempt supervisory leader is required.
- **Separation** Personnel devoted to handling calls related to regulated utility service will be physically separated from personnel handling non-regulated service calls through, at a minimum, the use of high height partitions and panels.
- **Data** A data firewall will be created to require customer permission before non-utility related staff can access utility customer records. Acquisition of utility customer usage and billing history data will be with customer permission and consistent with Specific Affiliate Guidelines 9 and 10.
- **Costs** Call center costs will be allocated per the Cost Allocation Guidelines. Any charges made to providers of non-regulated services will be reasonable and non-discriminatory.
- **Process** Attached are summary call handling flowcharts and a script which have been developed to more specifically describe the process to be used in the event that the utility offers an energy choice program to its residential and small commercial customers in the future.
- **Monitoring** The IURC and OUCC will be able to monitor compliance with the Guidelines through the provision of access to customer calls. The IURC and OUCC (or their agents) will also be able to make on site visits and inspections of call center facilities.

AFFILIATE AND COST ALLOCATION GUIDELINES

Call Handling Script -- For Inquiries Regarding Non-Regulated Energy Services

Mr./Ms. Customer,

I am very sorry but I can't directly handle this for you, but I can get you in touch with somebody who can.

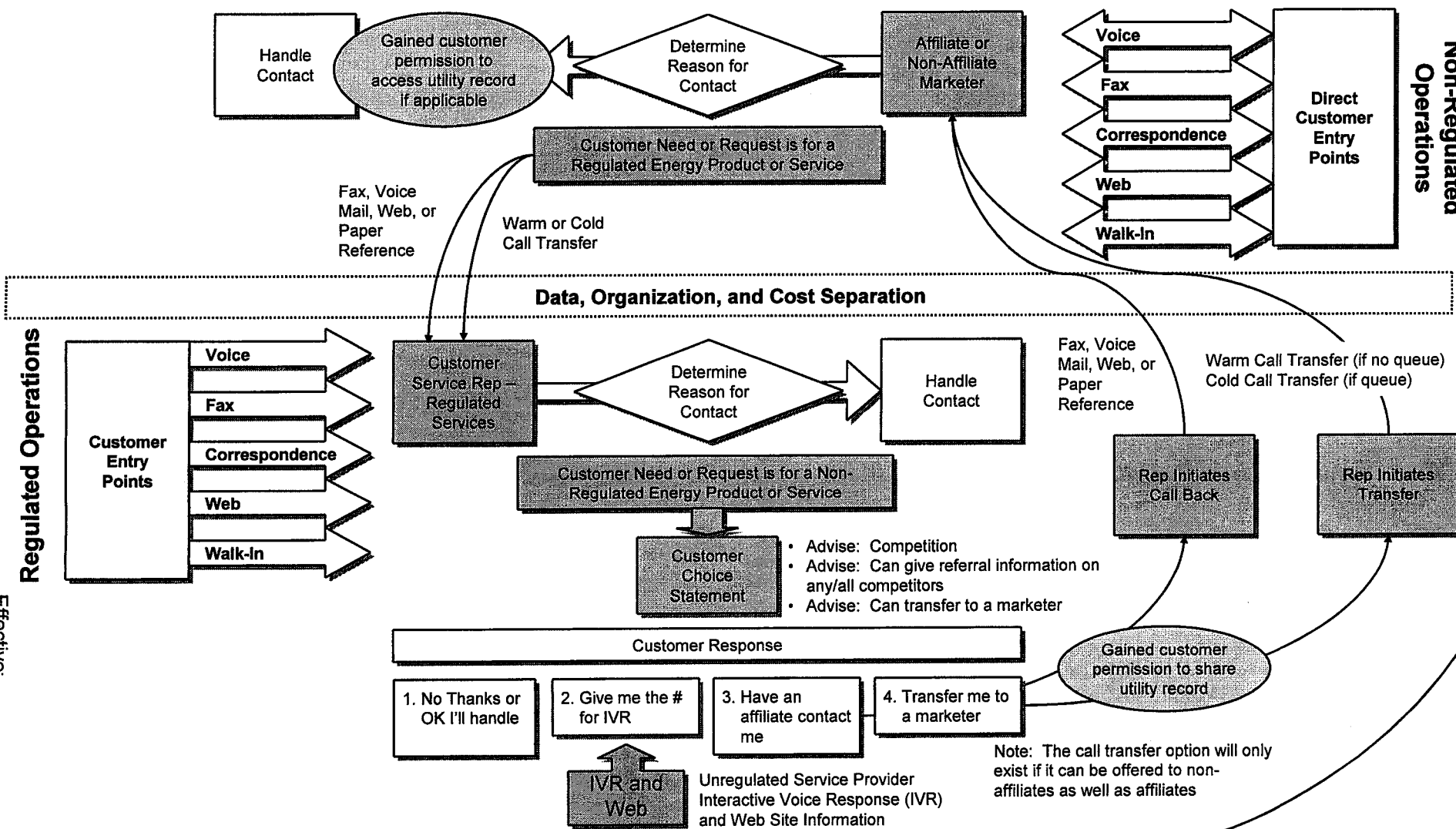
I can give you a telephone number from which you can get more information about the providers of these services, including our affiliate _____. This telephone number is: *(give telephone number)*. If you have access to the web you can get this information on the web site. The web site address is: *(give web address)*.

[If you prefer, I can transfer your call now to one of these service providers. *(see note)*

By the way, the providers may want to review your customer records. Do we have your consent to release this information at their request?

Note: The paragraph references call transfers and will only be part of the script if Vectren can offer the call transferring.

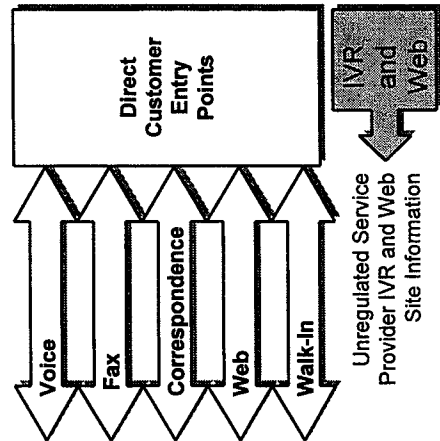
Call Handling Process Summary



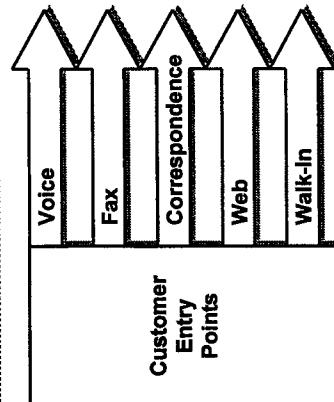
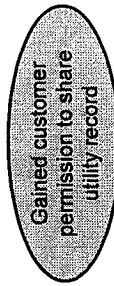
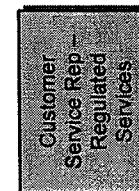
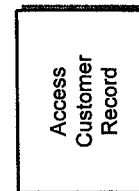
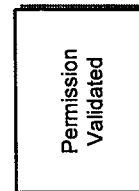
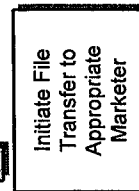
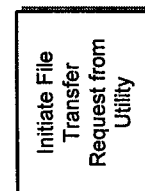
Effective:

Customer Permission and Information Transfer Summary

Marketing Entities



Data, Organization, and Cost Separation



Regulated Operations

1. Customer permission may be accomplished via voice, electronic, or written form.
2. Unregulated entities to sign a participation compliance agreement which includes agreement not to misrepresent customer records sharing permission/approval or the level of account authority agreed to with the customer.
3. Validation of customer permission/account authority will be audited via monthly sampling and customer complaint tracking.

**INDIANA GAS COMPANY, INC.
d/b/a VECTREN ENERGY DELIVERY OF INDIANA, INC.
(VECTREN NORTH)**

IURC CAUSE NO. 43298

**SUPPLEMENTAL DIRECT TESTIMONY
OF
M. SUSAN HARDWICK
VICE PRESIDENT, CONTROLLER AND ASSISTANT TREASURER**

ON

ACCOUNTING FOR DISTRIBUTION REPLACEMENT ADJUSTMENT

SPONSORING PETITIONER'S EXHIBIT MSH-1 SUPPLEMENTAL

Supplemental Direct Testimony of M. Susan Hardwick

1 **Q. Please state your name and business address.**

2 A. My name is M. Susan Hardwick. My business address is One Vectren Square,
3 Evansville, Indiana 47708.

4
5 **Q. Are you the same M. Susan Hardwick that provided direct testimony in this**
6 **proceeding on the subject of Revenue Requirement?**

7 A. Yes, I am.

8
9 **Q. What is the purpose of your supplemental testimony in this case?**

10 A. The purpose of my supplemental testimony is to describe the accounting
11 procedures that will be in place to support the Distribution Replacement
12 Adjustment ("DRA") discussed by Vectren North Witness Scott E. Albertson. I
13 also will describe the pro forma filing schedules to be included in the annual DRA
14 filings which calculate the Revenue Requirement to be recovered through the
15 DRA.

16
17 **Q. Please describe the proposed DRA and the specific accounting to be in**
18 **place to accomplish the proposed mechanism.**

19 A. As described by Vectren North Witness Albertson, Vectren North is proposing
20 certain regulatory treatment associated with the accelerated replacement of cast
21 iron mains and bare steel mains and service lines (the "Program"). Vectren
22 North Witness James M. Francis describes the Program in great detail from an
23 operational perspective. I will explain the process that will be used by Vectren
24 North to accurately segregate and record the construction costs, depreciation
25 expense, and maintenance savings of the Program. I will discuss Vectren
26 North's intentions with respect to accruing allowance for funds used during
27 construction ("AFUDC") on construction work in progress relating to the projects
28 completed under the Program and from their in-service dates to the time the
29 Program costs are included in the proposed DRA.

30

1 **Q. Please explain the work order process that will be used by Vectren North to**
2 **segregate and record the capital costs of the Program while the projects**
3 **are under construction ("Program construction costs").**

4 A. To ensure proper accumulation and segregation of Program construction costs, a
5 project number will be assigned to the capital work order(s). All Program
6 construction costs as incurred will be recorded to the assigned project number.
7 All Program construction costs will be maintained in the Company's Financial
8 Information System ("FIS") Programs Accounting ("PA") module. The
9 aforementioned project number will be required for the recording of all Program
10 construction costs into any of the FIS feeder systems. Each of the feeder
11 systems, which include payroll, accounts payable, and material inventory,
12 interface with the PA module. Total incurred Program construction costs can be
13 accurately viewed and/or reported by the project number at any time as the
14 Program progresses.
15

16 **Q. What types of costs will Vectren North include as the value of the property**
17 **under construction for purposes of the DRA?**

18 A. The proposed DRA will include the construction costs of the Program, including
19 engineering and Program management, permitting, consulting services, site
20 preparation, equipment and installation, AFUDC, an allocation of administrative
21 overhead, and other costs approved by the Commission.
22

23 **Q. How will the maintenance expense savings associated with the Program**
24 **after they are in-service be calculated and recorded?**

25 A. As described by Vectren North Witness Albertson, the maintenance expense
26 savings will be calculated based on a predefined formula using the estimated
27 annual maintenance savings per mile of main to be replaced as described by
28 Vectren North Witness Francis and the miles of main, or segments of the
29 Program, actually replaced and placed in service. The actual calculations will be
30 available for inspection by the staff of the Commission and the Office of Utility
31 Consumer Counselor ("OUCC") in connection with Vectren North's DRA filings.
32

33 **Q. Will AFUDC be recorded as a cost of the Program?**

1 A. Yes, in accordance with appropriate regulatory rules and at the rates used for all
2 other Vectren North construction projects. An example of the derivation of
3 AFUDC rates is shown on Petitioner's Exhibit No. SEA-7, page 10.
4

5 **Q. When will Vectren North discontinue recording AFUDC on the**
6 **Program construction costs?**

7 A. Vectren North will cease the accrual of AFUDC on the components of the
8 Program as they are incorporated into the proposed DRA or in base rates.
9

10 **Q. What is Vectren North proposing in this proceeding with respect to the**
11 **continuation of AFUDC after the in-service date of the Program?**

12 A. Vectren North proposes to continue the accrual of AFUDC after the respective in-
13 service dates of segments of the Program, until it is reflected in the DRA or in
14 base rates. Due to the proposed twelve month interval between DRA petitions,
15 continuation of AFUDC is necessary in the event a segment of the Program is
16 completed and placed into service prior to being reflected in the next scheduled
17 DRA filing. However, post-in-service AFUDC would only be recorded on the
18 increment of construction costs not previously incorporated into the DRA.
19

20 **Q. Over what period does Vectren North propose the Program be**
21 **depreciated?**

22 A. Vectren North proposes to use depreciation rates and procedures in accruing
23 depreciation on the mains and service lines that are consistent with depreciable
24 lives assigned to its other distribution mains and service lines, of 50 and 35
25 years, respectively. Vectren North also proposes a negative net salvage
26 component equivalent to 40% for mains and 82% for services to be included in
27 the depreciation rate assigned to these components. These rates represent the
28 negative net salvage component of the depreciation rates for these plant
29 accounts as approved in Vectren North's last rate case. The effect of a 50 (35
30 for service lines) year life and a 40% (82% for service lines) negative net salvage
31 component would be an annual depreciation accrual rate for mains of 2.84% and
32 5.25% for service lines, or an effective depreciable life of about 40 years for both.
33 These are the depreciation rates currently in effect for these types of property.

1
2 **Q. Will Vectren North defer any portion of the depreciation on the Program?**

3 A. Yes. Vectren North proposes to defer depreciation on components of the
4 Program from their in-service dates until the point when the component of the
5 Program is included for recovery in the DRA. The depreciation expense would
6 be charged to Account 403, Depreciation Expense, with a corresponding credit to
7 Account 108, Accumulated Provision for Depreciation of Gas Utility Plant.
8 Concurrently, the deferral of depreciation would be recorded as a charge to
9 Account 182.3, Other Regulatory Assets, and a credit to Account 407.4,
10 Regulatory Credits. The amortization of that regulatory asset will be included in
11 the determination of the annual revenue requirement as part of the calculation of
12 the annual DRA. An example of the calculation of the DRA annual Revenue
13 Requirement is detailed on Petitioner's Exhibit SEA-7, pages 11 and 12.
14

15 **Q. Will any maintenance expense savings relating to the Program be**
16 **deferred?**

17 A. Yes. Vectren North proposes to account for maintenance expense savings
18 based on the predefined formula as described by Vectren North Witness
19 Albertson, following the placement of a segment of the Program in-service.
20 Actual maintenance expense savings will be charged to the appropriate FERC
21 primary accounts. Concurrently, a deferral of maintenance expense savings
22 would be recorded by a charge to Account 407.4, Regulatory Credits, and a
23 corresponding credit to Account 182.3, Other Regulatory Assets. This deferral
24 will occur until the maintenance expense savings for each Program segment
25 receives its initial corresponding ratemaking treatment through the proposed
26 DRA.
27

28 **Q. Are there assets currently in utility plant in service that are being retired as**
29 **part of the Program?**

30 A. Yes. As Vectren North Witness Francis indicates in his direct testimony, the
31 existing bare steel and cast iron mains will be retired as a necessary part of the
32 Program. Vectren North discontinued use of bare steel and cast iron for mains in
33 the 1950's; therefore any retirements represent fully depreciated plant in service.

1
2 **Q. How do you propose to account for those retirements?**

3 A. In accordance with the Uniform System Of Accounts, the retirement of utility
4 assets are to be charged to the related depreciation reserve. Consistent with
5 that practice, I am proposing that any retirements of existing plant that are made
6 necessary by the implementation of the Program be charged against the
7 associated depreciation reserve(s).
8

9 **Q. Please describe the pro forma filing schedules to be included in the annual**
10 **DRA filings which calculate the Revenue Requirement to be recovered**
11 **through the DRA.**

12 A. As referenced previously, Petitioner's Exhibit No. SEA-7, page 10, details the
13 calculation of AFUDC. Petitioner's Exhibit No. SEA-7, page 11, details the
14 accumulated actual costs of the Program. Petitioner's Exhibit No. SEA-7, page
15 12, details the annual revenue requirement calculation that results in the DRA.
16 As can be seen on the example calculation included in Vectren North Witness
17 Albertson's exhibits, the calculation is a typical revenue requirement calculation
18 in that it starts with "rate base", or accumulated construction costs net of
19 accumulated depreciation, multiplied by an overall rate of return. That required
20 return is then grossed up for income taxes on the return. To that is added the
21 dollar for dollar revenue requirement for property taxes, depreciation (current
22 year and the amortization of any deferred depreciation over the original life), net
23 of the calculated maintenance savings to arrive at the total annual revenue
24 requirement.
25

26 **Q. Does this conclude your supplemental testimony?**

27 A. Yes, it does.
28